



I.T.C. Limited

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Report
and
Accounts
2001

MISSION STATEMENT

*To enhance the
wealth generating capability
of the enterprise in a
globalising environment,
delivering superior
and sustainable
stakeholder value*

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Enduring Value. For the Shareholder. For the Nation



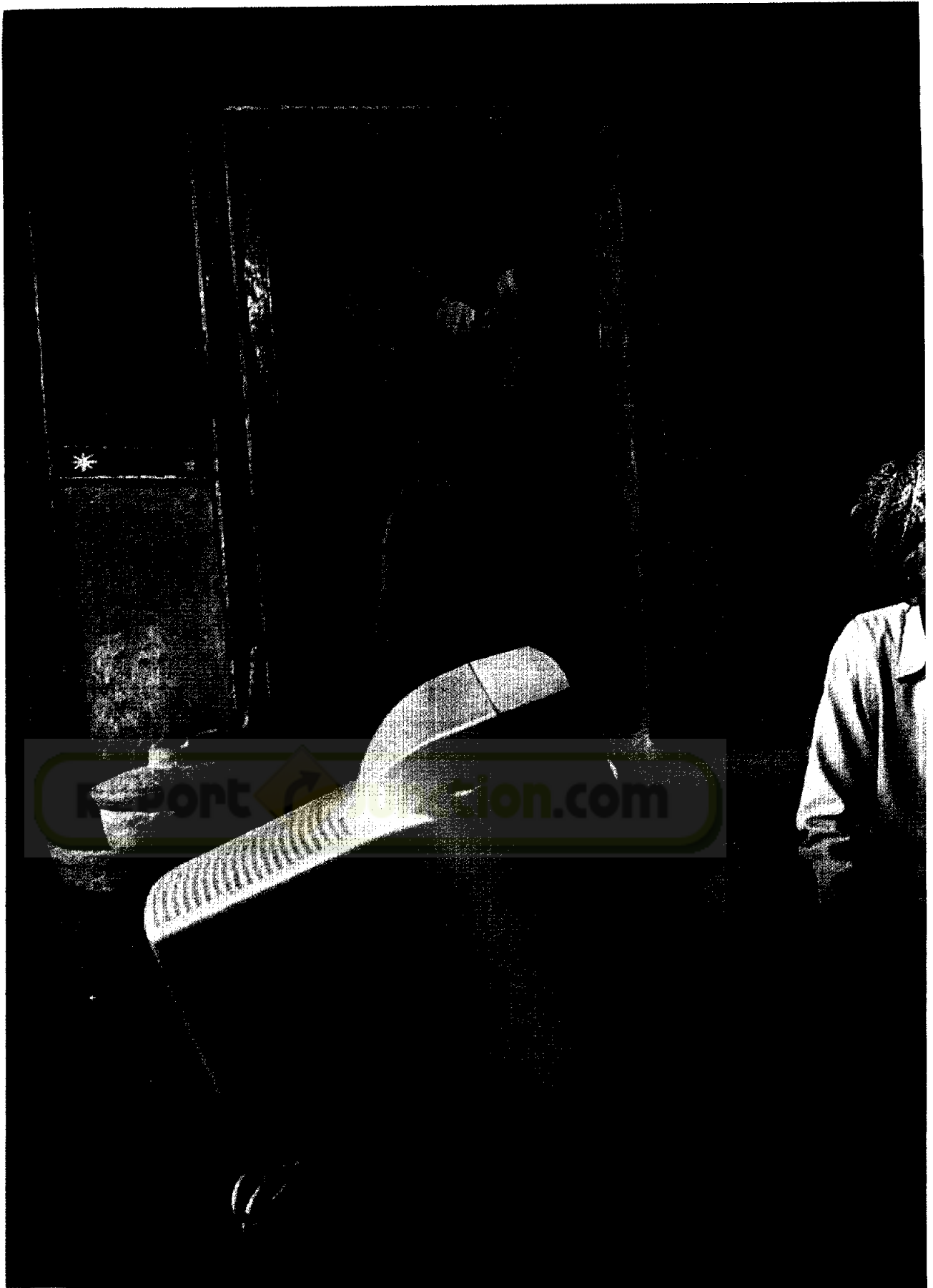
ADDING VALUE

"An Indian enterprise is one that creates and captures value for the Indian economy and contributes to the virtuous economic cycle of investment, creation of jobs and the related demand, and the generation and redeployment of surpluses for economic growth..."

ITC has attempted to achieve this value objective by not only driving each of its businesses to become internationally competitive, but also by consciously contributing to enhancing the competitiveness of the entire value chain of which it is a part."

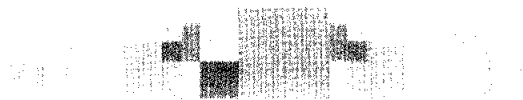
– Chairman Y C Deveshwar, AGM 2000





ADDING VALUE TO RURAL INDIA





RURAL INDIA

ITC has been a friend of the Indian tobacco farmer for the last 90 years. In the tobacco growing areas of Andhra Pradesh, ITC's Indian Leaf Tobacco Development Division (ILTD) is fondly referred to as the "Talli Company", Telugu for "Mother Company". ITC has enabled the tobacco farmers of Andhra Pradesh and Karnataka to adopt best practices through technology and knowledge transfer. Its qualified and trained managers and support staff continuously assist the tobacco farmers in assimilating new ideas in quality and productivity. ITC also works closely with Government agencies to develop new varieties of tobacco, especially those which have significant export and employment potential.

e-Choupal, a pioneering click and mortar initiative of ITC's International Business Division (IBD) links Indian farmers with domestic and international markets. ITC's wholly owned information technology subsidiary, ITC Infotech India Ltd. and IBD have combined to leverage the power of the Internet to create user friendly web portals in the local language for the Indian farmer. The soya farmers of Madhya Pradesh, the coffee planters of Karnataka and the aqua farmers of Andhra Pradesh now have on-line access to world commodity prices, best farm practices, and the latest information on the weather. 235 e-Choupals covering 1,000 villages are already operational. These e-Choupals will also facilitate supply of high quality farm inputs and purchase of farm produce at the farmer's doorstep.

ITC Bhadrachalam's visionary R&D has made possible a pioneering clonal propagation programme under which 8.5 million "Bhadrachalam" clones – high-yielding, disease resistant saplings – have been planted on over 6,000 hectares of fallow land in one of the most backward regions of rural Andhra Pradesh. This path-breaking initiative carries the potential of creating 40,000 rural jobs, apart from contributing to the greening of Andhra Pradesh and the related restoration of ecological balance.





◀ Coffee planters now access IBD's
'www.plantersnet.com' for advanced
risk management tools



IBD's www.aquachoupal.com web-links
aqua farmers with world markets ▶

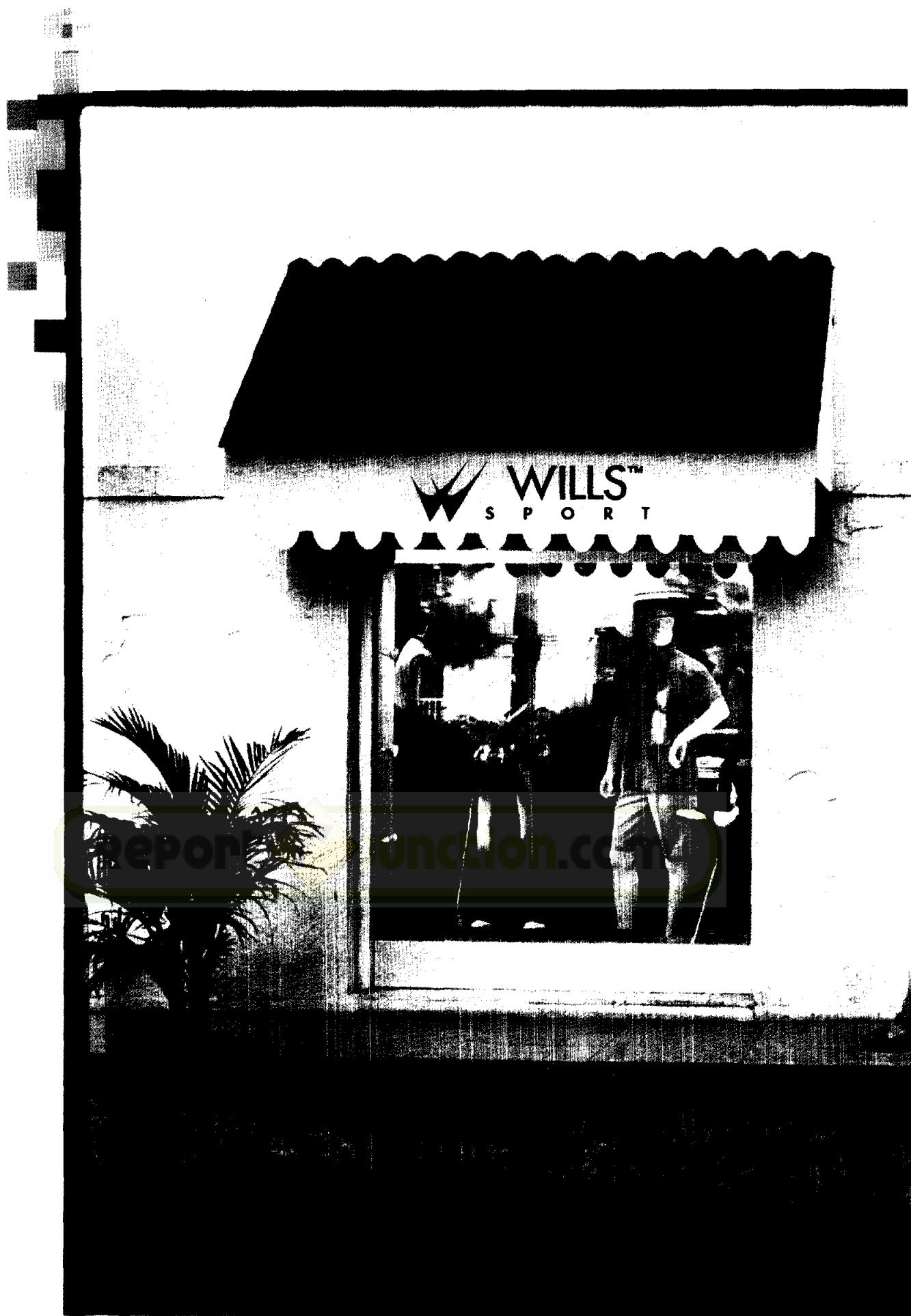
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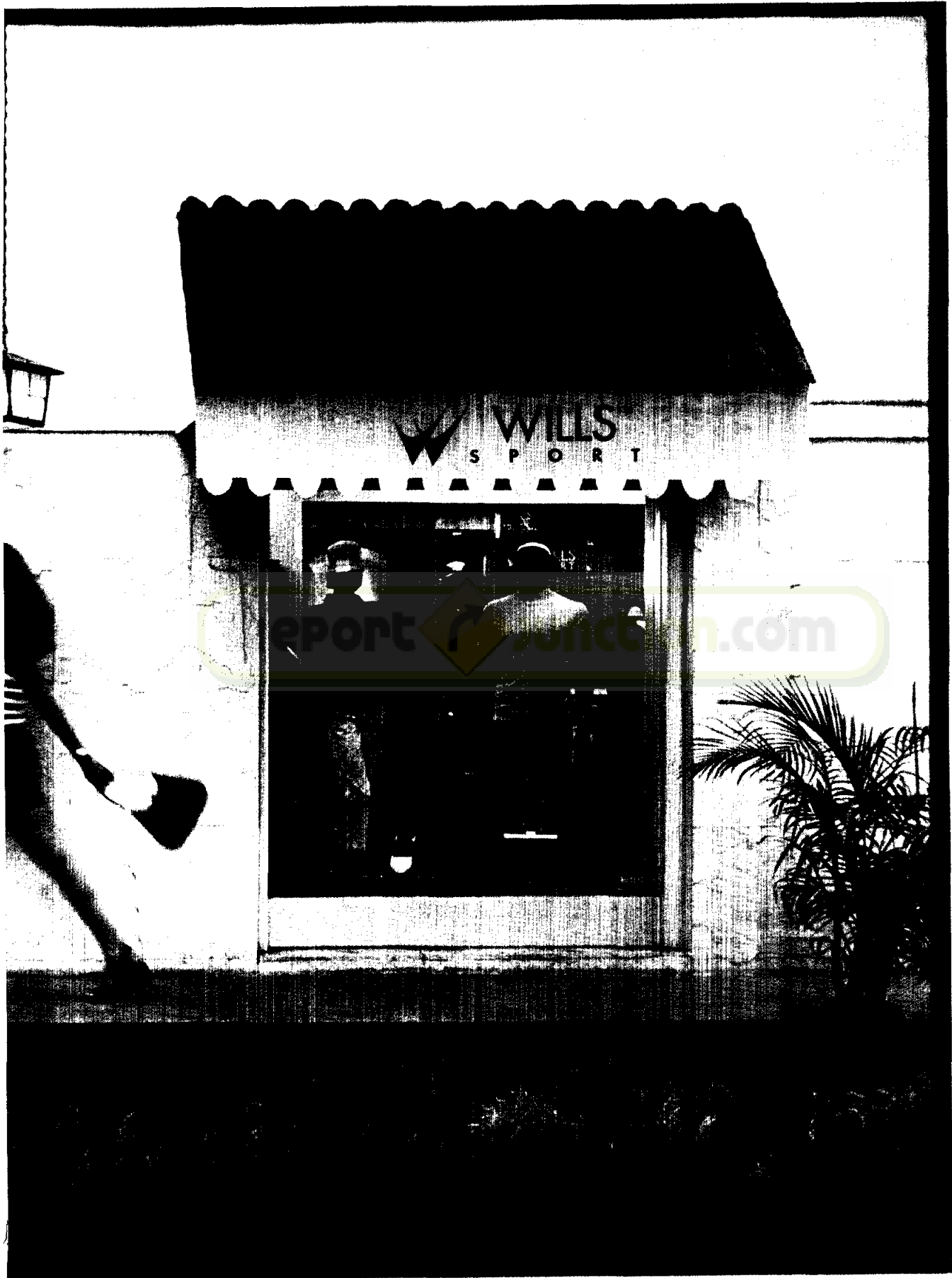
◀ ITC Bhadrachalam's clonal propagation
programme contributes to the greening
of Andhra Pradesh



ITC helps tobacco farmers
to adopt best practices ▶



ADDING VALUE TO BRAND INDIA





BRAND INDIA

ITC creates and sustains in each of its businesses brands that do the 'Made in India' label proud. Brands that symbolise world-class value for the consumer.

India Kings, Wills, Gold Flake : brands that spell undisputed leadership gained on the strength of decades of total consumer satisfaction.

Checkers and Hi-Val – ITC's cigarette brands that compete successfully in the United States, the most challenging market in the world. ITC exports more than 1 billion sticks annually.

ITC's Lifestyle Retailing Business Division recently launched 'Wills Sport', the complete wardrobe range of relaxed wear for men and women. Its international quality shopping experience and world-class product range have already added a new dimension to branded apparel retailing in India.

The 'Expressions' range of greeting cards, using ITC Bhadrachalam's finest paperboards made from sustainable plantations, offers a wide range of international quality cards to discerning customers in over 7,000 retail outlets in 180 cities across India.

The delicious 'Dal Bukhara', created by ITC-Welcomgroup, will soon convert dining at home into a new experience in India and abroad.

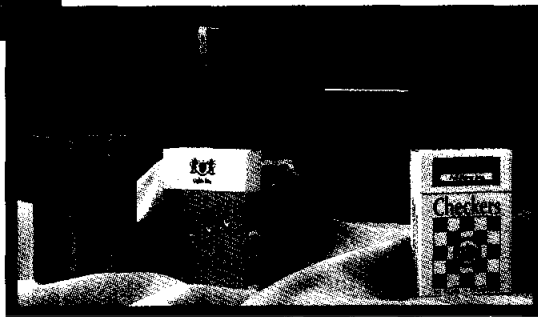
The 'Kitchens of India', perfected by ITC-Welcomgroup, have recreated India's heritage cuisine for the discerning global consumer. 'Bukhara', the authentic North-West frontier cuisine, 'Dum Pukht', the unique cooking style of the Nawabs of Awadh, and the exclusive 'Dakshin', the traditional South Indian recipes delight Indian and international connoisseurs in ITC-Welcomgroup's exclusive restaurants across the country.





◀ 'If it's in your heart, it's on the cards'.
'Expressions' greeting cards reach out
in a thousand ways

ITC's international brands compete
in sophisticated world markets ▶



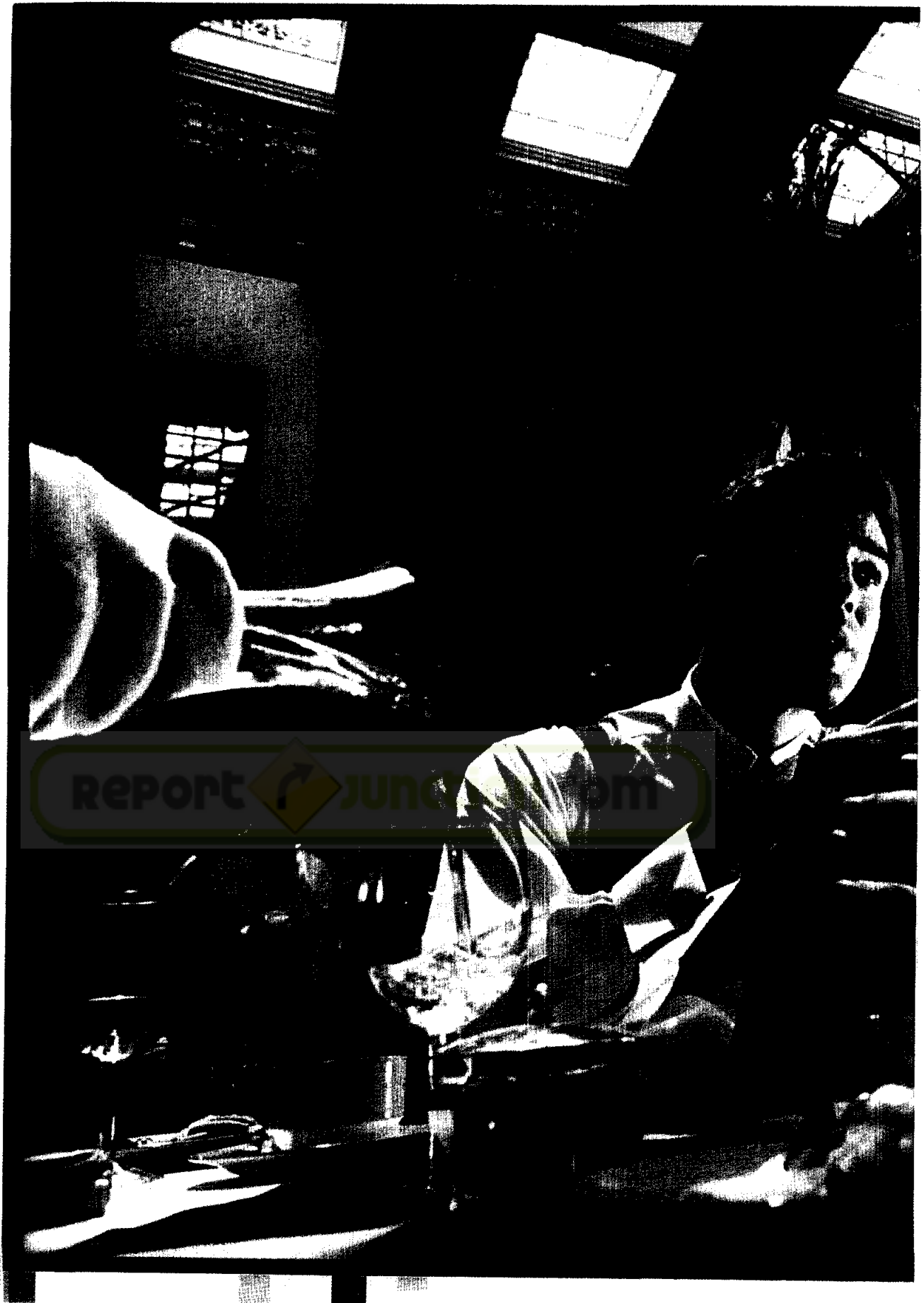
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◀ ITC-Welcomgroup's branded
cuisine conquers global palates

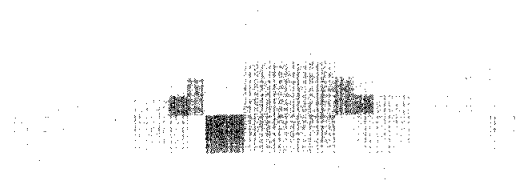
'Dal Bukhara' and other branded cuisine
bring the flavour of the
'Kitchens of India' to the world ▶





ADDING VALUE TO DESTINATION INDIA





DESTINATION INDIA

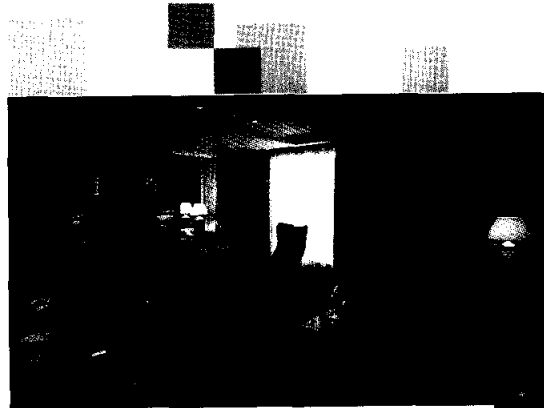
ITC-Welcomgroup, the country's finest and fastest growing hotel chain, is the premier destination for the upmarket international business traveller to India. Its 41 properties in 38 locations across the country provide premium hospitality.

'ITC One', the 'Towers' and the 'Executive Club' – pioneers in branded hotel services in the country – offer the discerning business traveller unmatched quality.

ITC-Welcomgroup's renowned ethnic cuisine draws global leaders. The 'Bukhara' at the ITC Maurya Sheraton has won international acclaim with the 41st US President, Bill Clinton, naming it his favourite restaurant.

Sustained investments are being made to complete and expand the finest hotel chain in the country. Creating infrastructure for trade, commerce and industry. Stimulating large direct and indirect employment. Generating substantial foreign exchange earnings. Adding enduring value to Destination India.





◀ ITC One : the Indian destination for the world's business elite

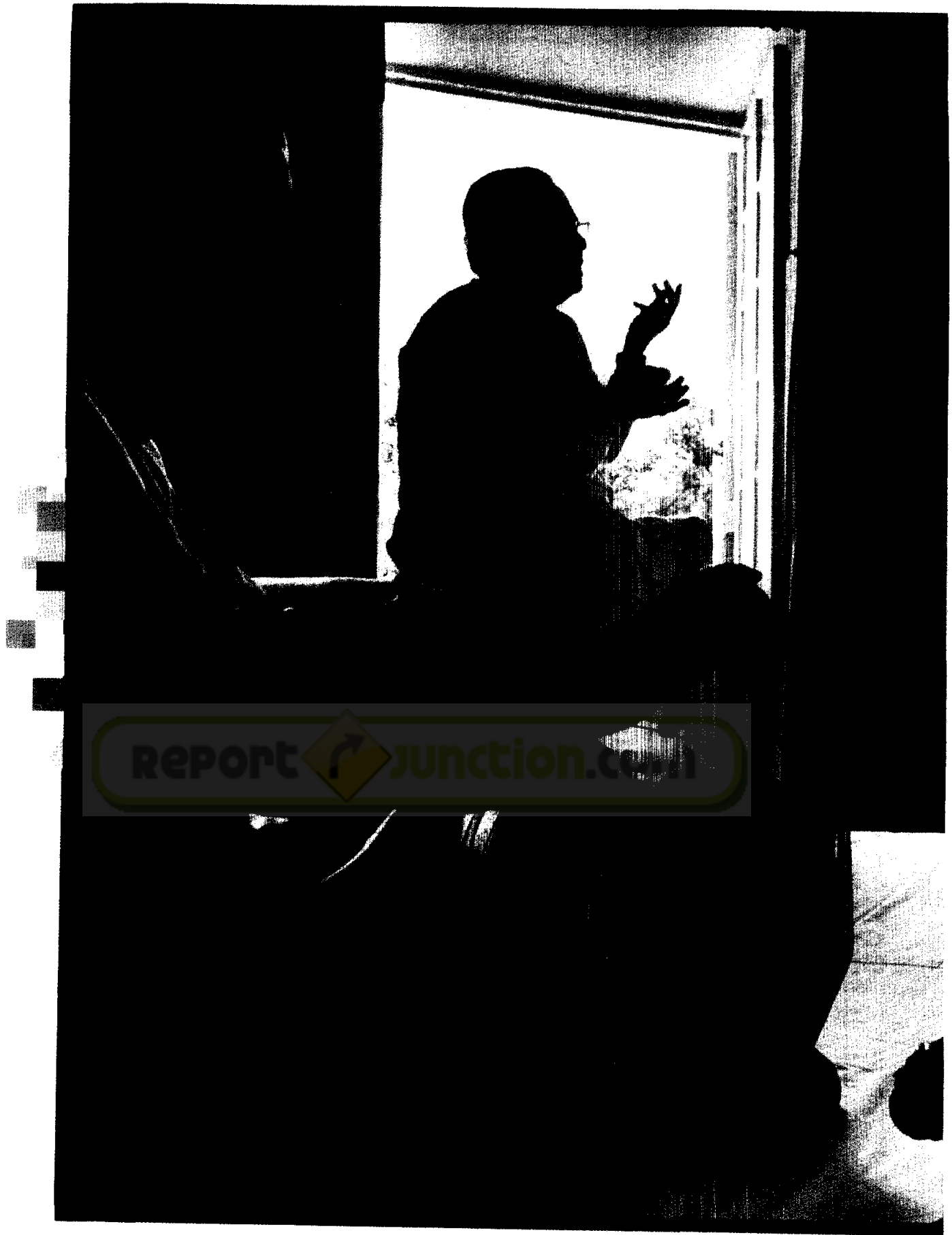


The Towers Club : hosting the global business traveller ▶



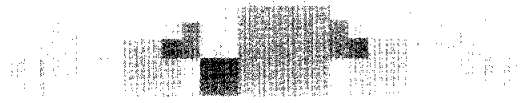
ITC-Welcomgroup : value-added services for the international business traveller





ADDING VALUE TO HERITAGE INDIA





HERITAGE INDIA

As a socially responsible corporate citizen, ITC endeavours to create value for the Indian society in multiple ways, one of them being preservation of India's rich cultural heritage. ITC has made significant contribution to the promotion of Indian classical music, theatre, art and cuisine.

ITC established the prestigious Sangeet Research Academy (SRA) at Kolkata in 1978 with the objective of preserving and promoting Hindustani Classical Music. It is a pioneering and unique corporate initiative aimed at creating an institutional substitute for India's ancient tradition of royal patronage of the arts. It is also a pathbreaking experiment in reviving India's age-old tradition of 'guru-shishya parampara'. SRA has produced several internationally renowned maestros of Hindustani Classical Music.

ITC-Welcomgroup restores historical palaces, forts and havelis, which bear a living testimony to the eternal grandeur of the cultural heritage of India. 'WelcomHeritage' hotels re-create the aura and ambience of the regal lifestyle of a historical era.

ITC-Welcomgroup supports contemporary Indian art under the banner of 'WelcomArt'. The Shristi art galleries in various Welcomgroup hotels regularly sponsor the works of upcoming Indian artists. WelcomArt also facilitates discovery of promising young talent that would further enrich India's art heritage.

ITC-Welcomgroup actively supports the cause of Indian theatre. 'WelcomTheatre', launched a decade ago, showcases the best of Indian theatre productions, especially the experimental stage.

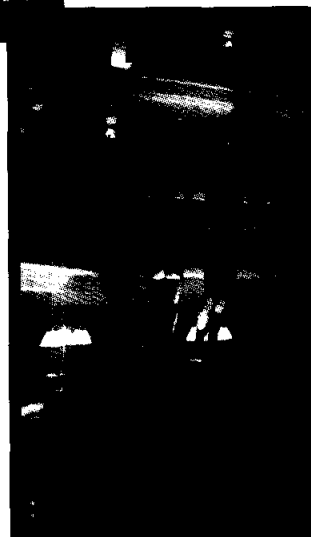




*Preserving regal lifestyles
for global guests*



▲ *Promoting the rich heritage
of Hindustani classical music*



*Creating a storehouse
of the best in Indian art ▶*

FOR THE SHAREHOLDER

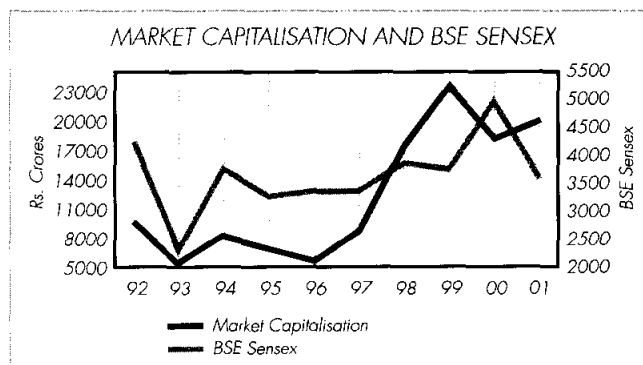
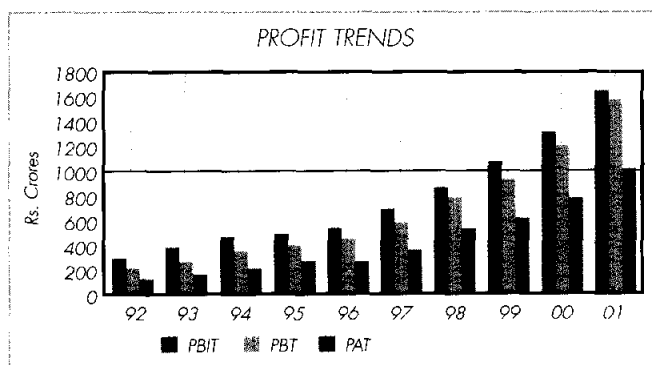
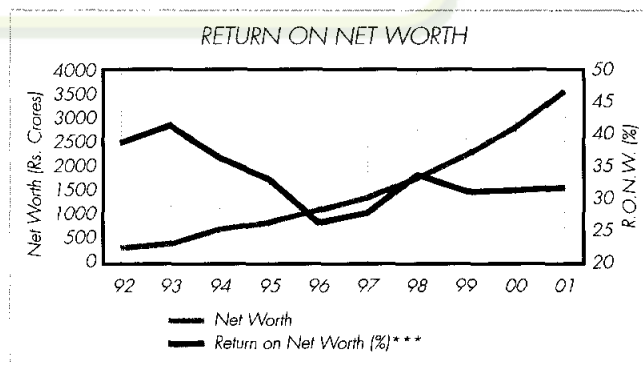
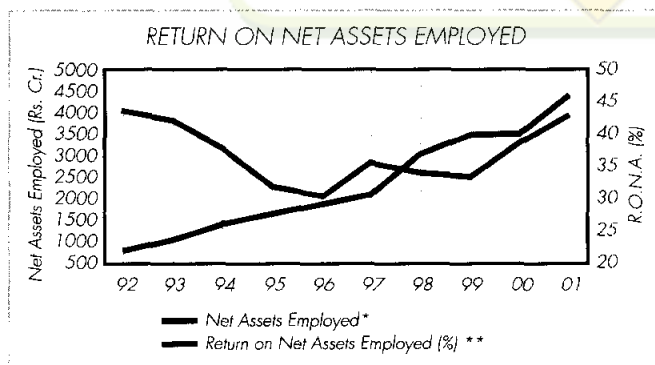
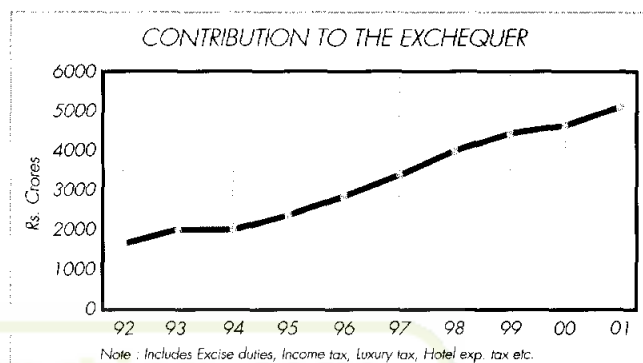
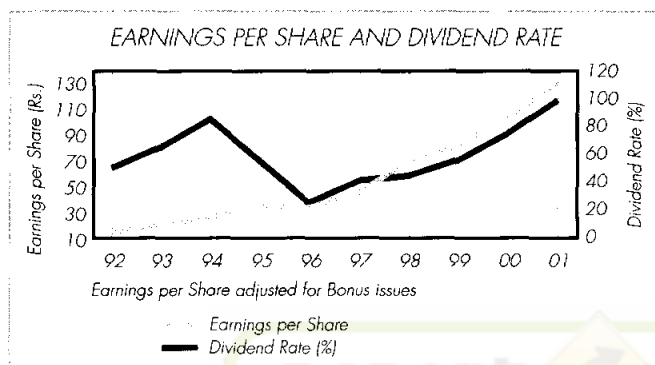
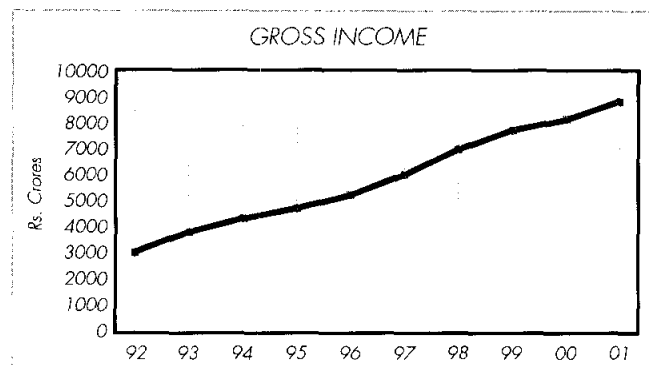
"It is ITC's belief that creation of shareholder value provides the only basis for sustainable contribution to the superordinate goal of creating national value."

– Chairman Y C Deveshwar, AGM 2000

	(Rs. in Crores)	
	1996	2001
Gross Income	5188	8816
Market Capitalisation	5571	19987
Profit After Tax	261	1006
EPS (Rs.)	10.64	41.00
Net Worth	1121	3535
Book Value/Share (Rs.)	45.69	144.02
Net Assets Employed	1886	4394
Return on Net Assets (%)	30	43

FINANCIAL HIGHLIGHTS

1992 - 2001



* See note on Net Assets Employed in the 'Ten years at a glance' section on the last page

** Computed on average Net Assets Employed during the year

*** Computed on average Net Worth during the year

GLOBAL HONOURS

First of their kind in the world:

- ▶ The Green Leaf Threshing plants at Chirala and Anaparti, the Cigarette factory at Kolkata and the Cigarette Filter factory at Bangalore were the first of their kind in the world to get ISO 14001 certification.

First of their kind in India:

- ▶ ITC Hotel Maurya Sheraton to get ISO 14001.
- ▶ The Cigarette factory in Kolkata to get ISO 9001.
- ▶ The Green Leaf Threshing plant at Chirala to get Social Accountability (SA 8000) certification from Bureau Veritas Quality International.

Among the Top 10:

- ▶ 'Far Eastern Economic Review' ranks ITC sixth among Top 10 Indian companies. So does the 'ET 500' survey of the Economic Times.
- ▶ The 'Business Today - Stern Stewart' study ranks ITC among the top five sustained value creators in India.

Among the Select Few:

- ▶ ITC Infotech India Limited has been certified at SEI-CMM Level 5.
- ▶ Eight ITC units have received the Royal Society for Prevention of Accident, UK, award.
- ▶ Several ITC units have won the British Safety Council's Sword of Honour award.

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BOARD OF DIRECTORS

Chairman
Yogesh Chander Deveshwar

Executive Directors
Sahibzada Syed Habib-ur-Rehman
Anup Singh
Krishnamoorthy Vaidyanath

Non-Executive Directors
Avinash Chander Ahuja
Brij Gopal Daga
Charles Richard Green
(Alternate : Nigel Timothy Gourlay)
Yesh Pall Gupta
Pillappakkam Bahukutumbi Ramanujam
Antonio Americo de Figueiredo Rodrigues
Basudeb Sen
Ram S Tarneja
Rangarajan Vasudevan
Balakrishnan Vijayaraghavan

BOARD COMMITTEES

Audit Committee

P B Ramanujam	Chairman
Y P Gupta	Member
A A F Rodrigues	Member
R Vasudevan	Member
B Vijayaraghavan	Member
K Vaidyanath (Director responsible for the Finance Function)	Permanent Invitee
P Chatterjee (Head of Internal Audit)	Permanent Invitee
Representative of the Statutory Auditors	Permanent Invitee
B B Chatterjee	Secretary

Compensation Committee

B Sen	Chairman
B G Daga	Member
C R Green	Member
Y P Gupta	Member
A A F Rodrigues	Member
Ram S Tarneja	Member

Legal And Safety Audit Committee

B Vijayaraghavan	Chairman
A A F Rodrigues	Member
Ram S Tarneja	Member
R Vasudevan	Member

Investor Services Committee

B Sen	Chairman
P B Ramanujam	Member
A Singh	Member
B B Chatterjee	Secretary

Nominations Committee

Y C Deveshwar	Chairman
A C Ahuja	Member
B G Daga	Member
C R Green	Member
Y P Gupta	Member
P B Ramanujam	Member
A A F Rodrigues	Member
B Sen	Member
Ram S Tarneja	Member
R Vasudevan	Member
B Vijayaraghavan	Member

CORPORATE MANAGEMENT COMMITTEE

Directors

Y C Deveshwar	Chairman
S S H Rehman	Member
A Singh	Member
K Vaidyanath	Member

Executives

K S Vaidyanathan	Member
A Nayak	Invitee
R Srinivasan	Invitee
B B Chatterjee	Secretary

Executive Vice President & Company Secretary

Bishwa Behari Chatterjee

Company Solicitor

Kannadiputhur Sundararaman Suresh

Investor Service Centre

37 Chowringhee, Kolkata 700 071

Phone : 0091-033-288-6426/288-0034

Fax : 0091-033-288-2358

e-mail : itcsec@cal3.vsnl.net.in

Auditors

A F Ferguson & Co.

Chartered Accountants, Kolkata

Registered Office

Virginia House, 37 Chowringhee, Kolkata 700 071, India

ITC website : www.itcportal.com



YOUR DIRECTORS

Y. C. Deveshwar

Y. C. Deveshwar has been ITC's Chairman since January 1, 1996. He is respected for the deep insight with which he steers a multi-business corporation like ITC, and is credited with several key strategic interventions which have positioned ITC as a well managed, value creating company in India.

In 1991, Deveshwar, an engineer from IIT, Delhi, was handpicked by the Government of India to head the national carrier, Air India, as Chairman and Managing Director. He had a successful stint in this assignment till 1994, during which he was also a member on the Boards of Indian Airlines, International Airports Authority of India, National Airports Authority and Air Mauritius Ltd. During this period, he was also the Chairman of the Hotel Corporation of India. He is an impactful member of the Executive Committees of some of India's premier trade and industry bodies, including the Confederation of Indian Industry.

He has been honoured with several recognitions, including Honorary Fellowship of the All India Management Association, the Distinguished Alumni Award of the Indian Institute of Technology, Delhi, the Meridien Hotelier of the Year Award and the Marketing Man of the Year from A&M, the country's leading marketing publication.

Other Directorships

Name of the Company	Position
ITC Bhadrachalam Paperboards Limited	Chairman & Director
ITC Hotels Limited	Chairman & Director
ITC Hotels Finance & Investments Ltd.	Director
Woodlands Hospital & Medical Research Centre Limited	Director
Surya Tobacco Co. (P) Limited*	Director
Tollygunge Club Limited	President

Other Committee Memberships

Name of the Company	Committee	Position
ITC Bhadrachalam Paperboards Limited	Nominations & Remuneration Committee	Chairman

S. S. H. Rehman

S. S. H. Rehman was appointed a Director on the Board of ITC on November 21, 1997. He was educated at the Osmania University and began his career with the Indian Army, moving over to the hospitality industry in 1975 and joining ITC in 1979. Since then Rehman has been General Manager of Welcomgroup's premier hotels across India as also its Regional Director, Vice President-Operations and President. He was appointed Managing Director of ITC Hotels Limited in 1994.

He has brought to traditional hoteliering innovative concepts in accommodation and cuisine. He has revived and developed heritage cuisines based on extensive research. He has been primarily responsible for bringing renown to ITC-Welcomgroup's branded cuisines like Bukhara, Dum Pukht and Dakshin.

Other Directorships

Name of the Company	Position
ITC Hotels Limited	Managing Director
International Travel House Limited	Chairman & Director
Landbase India Limited	Chairman & Director
Fortune Park Hotels Limited	Chairman & Director
Gujarat Hotels Limited	Chairman & Director
Srinivasa Resorts Limited	Vice Chairman & Director
Bay Islands Hotels Limited	Director
Maharaja Heritage Resorts Limited	Director
Ansal Hotels Limited	Director
Tourism Finance Corporation of India Limited	Director
Mumbai International Convention & Exhibition Centre Limited	Director

Other Committee Memberships

Name of the Company	Committee	Position
Gujarat Hotels Limited	Share Committee	Member



A. Singh

A. Singh was appointed a Director on the Board of ITC on November 21, 1997. He joined ITC in 1968 after receiving a Bachelor's degree in Electrical Engineering from IIT, Kharagpur. He was a key participant in the Company's major strategic initiative in the mid-seventies to implement the concept of 'Management by Objectives (MBO)'. Singh has had a long stint in ITC's Cigarette business, including heading it as the Chief Executive. He has also been the Chief Executive of the Tribeni Tissues Division, the Company's Speciality Papers business. He is currently in charge of the Cigarettes and Tobacco, Information Technology and Lifestyle Retailing businesses of the Company.

Other Directorships

Name of the Company	Position
ITC Infotech India Limited	Chairman & Director
ITC Infotech Limited, U.K.*	Chairman & Director
ITC Infotech (USA) Inc.*	Chairman & Director
Asia Tobacco Company Limited	Chairman & Director
The Tobacco Institute of India	Director
Surya Tobacco Co. (P) Limited*	Director
Royal Calcutta Golf Club	Director
Tollygunge Club Limited	Committee Member

Other Committee Memberships

Nil

K. Vaidyanath

K. Vaidyanath was inducted into the ITC Board on January 17, 2001. He holds responsibility for the Company's Finance function, its investment subsidiary, the International Business Division and Corporate Communications. Before his elevation to the Board, he was the Company's Chief Financial Officer.

An MBA from XLRI, Jamshedpur, he has been with ITC for the past 25 years. He has held various positions in the Company's Finance function including that of Head of Finance of ITC's Packaging,

Hotels and International Businesses. Vaidyanath has also been Head of Corporate Planning & Treasury, as well as Internal Audit. He is also a Committee Member of the Bengal Chamber of Commerce & Industry.

Other Directorships

Name of the Company	Position
Russell Credit Limited	Chairman & Director
ITC Hotels Limited	Director
ITC Bhadrachalam	Director
Paperboards Limited	
ITC Infotech India Limited	Director
Agro Tech Foods Limited	Director
Greenacre Holdings Limited	Director
Classic Infrastructure & Development Limited	Director
Greenline Constructions Limited	Director
CREF Finance Limited	Director

Other Committee Memberships

Name of the Company	Committee	Position
ITC Bhadrachalam	Nominations & Remuneration Committee	Member
ITC Bhadrachalam Paperboards Limited	Audit Committee	Member
ITC Hotels Limited	Audit Committee	Member
ITC Hotels Limited	Share Committee	Member
ITC Infotech India Limited	Audit Committee	Member
Russell Credit Limited	Audit Committee	Member
Greenacre Holdings Limited	Audit Committee	Member

A. C. Ahuja

A. C. Ahuja was appointed as the nominee of IFCI Limited (IFCI) on the Board of ITC on January 17, 2001. He retired as an Executive Director of IFCI in March, 2001, where he had headed several functions including Human Resources, Industrial Relations, Company Law matters, Monitoring, Restructuring and Legal.

He was the Managing Director of Rajasthan Consultancy Organisation Limited from 1988 to 1991 on deputation from IFCI.



Other Directorships

Name of the Company	Position
IFCI Venture Capital Funds Limited	Nominee Director & Chairman
North India Technical Consultancy Organisation Limited	Nominee Director & Chairman
Modipon Limited	Nominee Director
Modi Rubber Limited	Nominee Director
LIC Housing Finance Limited	Nominee Director

Other Committee Memberships

Name of the Company	Committee	Position
Modi Rubber Limited	Audit Sub-Committee	Member
Modipon Limited	Audit Sub-Committee	Member

B. G. Daga

B. G. Daga joined the ITC Board as the representative of the Unit Trust of India (UTI) on July 28, 2000. He joined UTI in 1987 after a long stint with the Reserve Bank of India. As an Executive Director of UTI, he is currently in charge of Business Development and Marketing Operations. He is also the coordinator of UTI's business re-engineering intervention.

He was a member of the team of Consultants appointed by Asian Development Bank to study the development of the securities market in Indonesia. He was closely associated with the setting up of UTI's joint venture asset management companies in Sri Lanka and Egypt. He was also a member of the Expert Committee on Mutual Funds, a member of the Derivatives Committee and a member of the Committee on Negotiated Deals, all set up by SEBI. He is a member of the Index Policy Committee of Index Services and Products Limited. He is a visiting faculty member at Bankers Training College and UTI Institute of Capital Markets.

Other Directorships

Name of the Company	Position
Stock Holding Corporation of India Limited	Director
Larsen & Toubro Limited	Director
The Calcutta Stock Exchange Association Limited	Public Representative Director

Other Committee Memberships

Name of the Company	Committee	Position
Stock Holding Corporation of India Limited	Audit Committee	Chairman

C. R. Green

C. R. Green has represented BAT on the ITC Board from April 16, 1999. He joined BAT in 1993 after a long and distinguished career in the oil industry. He has spent over 20 years with Texaco, the US oil major in a variety of roles including Director of Texaco, Brazil and its Regional Manager for Latin America.

In the tobacco industry, he has worked with Brown & Williamson, where he was Vice President for Latin America, Middle East and Africa and President for Japan. He became BAT's Area Director for Southern Europe in 1998. A year later, he assumed charge as BAT's Regional Director for the Middle East, South and Central Asia region.

Other Directorships

Name of the Company	Position
BAT Kyrgyzstan (Investments) Limited*	Chairman
British American Tobacco Georgia Limited*	Chairman
Abbey Investment Company Limited*	Director
BAT (Westminster House) Limited*	Director
BAT Cambodia (Investments) Limited*	Director
BAT Uzbekistan (Investments) Limited*	Director

**Other Directorships (Contd.)**

Name of the Company	Position
BATUS Holdings Inc.*	Director
British-American Tobacco (Holdings) Limited*	Director
Chelwood Trading & Investment Company Limited*	Director
Companhia Continental de Cigarros Limited*	Director
Louisville Securities Limited*	Director
Myddleton Investment Company Limited*	Director
Pakistan Tobacco Company Limited*	Director
The Raleigh Investment Company Limited*	Director
Tobacco Manufacturers (India) Limited*	Director
Westanley Trading & Investment Company Limited*	Director
Weston Investment Company Limited*	Director

Other Committee Memberships

Nil

Y. P. Gupta

Y. P. Gupta joined the ITC Board as a representative of the Life Insurance Corporation of India (LIC) on October 25, 2000. He joined LIC as a direct recruit officer in 1964 and served with distinction in various posts before becoming Managing Director. He was also the Chief Executive, LIC Housing Finance Limited. He also held the position of Vice President of the Forum of Housing Finance Companies in India. He retired from LIC in October, 2000.

Other Directorships

Name of the Company	Position
BSES Limited	Director
Grasim Industries Limited	Director
SBI Home Finance Limited	Director
Mahavir Spinning Mills Limited	Director
Industrial Investment Bank of India Limited	Government Director

Other Committee Memberships

Name of the Company	Committee	Position
BSES Limited	Audit Committee	Member
BSES Limited	Shareholders/ Investors' Grievances Committee	Member
BSES Limited	Compensation Committee	Member
Grasim Industries Limited	Investors' Grievances Committee	Member

P. B. Ramanujam

P. B. Ramanujam has represented General Insurance Corporation of India (GIC) and its subsidiaries on the Board of ITC since October 30, 1998. He has held several responsibilities in the GIC covering finance, accounts/investments, reinsurance, information technology etc.

He has served as a faculty member at the National Insurance Academy, Pune. He was also the Chairman of the committee appointed by the interim Insurance Regulatory Authority (IRA) for prescribing norms, rules and regulations in the area of finance. He has also been a member of two other IRA committees on technical issues and investment matters.

He is currently General Manager and Director with the National Insurance Company Limited.

Other Directorships

Name of the Company	Position
National Insurance Company Limited	Director and General Manager
Nicco Corporation Limited	Director

Other Committee Memberships

Name of the Company	Committee	Position
National Insurance Company Limited	Audit Sub-Committee	Member



A. A. F. Rodrigues

A. A. F. Rodrigues has been a BAT representative on the Board of ITC since December 19, 1997. He is an economist by profession.

Other Directorships

Name of the Company	Position
Contab Participacoes Ltda.*	Director
Souza Cruz S.A.* (Administrative Council)	Director

Other Committee Memberships

Nil

B. Sen

B. Sen, Chairman and Managing Director of the Industrial Investment Bank of India Limited (IIBI), has been on the Board of ITC since March 23, 1995, first as a nominee and then as a representative of UTI, and from July 28, 2000 continues as an Independent Non-Executive Director. He has over 30 years of management experience in different areas of commercial banking, development banking and investment management.

He has handled critical commercial responsibilities in the United Bank of India, Coal India Limited and Industrial Development Bank of India. He was an Executive Director of the Unit Trust of India before joining IIBI. Sen has served on various committees set up by SEBI, RBI and domestic financial institutions, as also of various industry associations.

Other Directorships

Name of the Company	Position
Industrial Investment Bank of India Limited	Chairman & Managing Director
Securities & Credit Rating Enterprises Limited	Nominee Director

Other Committee Memberships

Nil

Ram S. Tarneja

Ram S. Tarneja joined the ITC Board as an Independent Non-Executive Director on November 25, 1996. His present and previous Chairmanships include, among others, that of BOI Mutual Fund

and the Pan Asian Management & Rural Research Organisation. He is also Honorary Consul of Finland in Mumbai. He was the Managing Director and Chief Executive Officer, Bennett, Coleman & Co. Ltd., until May 1991 and continues to be on the Board of Directors of that company. Tarneja is past President, Indian Merchants Chamber, All India Management Association, Indian Newspaper Society, Indian Institute of Personnel Management and Asian Association of Management Organisations.

Other Directorships

Name of the Company	Position
Jolly Board Limited	Chairman
S. I. Property Development Limited	Chairman
Nesco Limited	Director
Ceekay Diakin Limited	Director
Otis Elevator Company (India) Limited	Director
Bharat Gears Limited	Director
Bennett, Coleman & Co. Limited	Director
Rallis India Limited	Director
Ballarpur Industries Limited	Director
Phillips Carbon Black Limited	Director
Kapoors Siam Vidya Finance Limited	Director
Housing Development Finance Corporation Limited	Director
GATI Limited	Director
Wheels International Limited	Director

Other Committee Memberships

Name of the Company	Committee	Position
Housing Development Finance Corporation Limited	Shareholders/ Investors Grievance Committee	Chairman
Ballarpur Industries Limited	Shareholders/ Investors Grievance Committee	Chairman
Rallis India Limited	Remuneration Committee	Member
GATI Limited	Remuneration Committee	Member



R. Vasudevan

R. Vasudevan has been a nominee of the Industrial Development Bank of India on the Board of ITC since March 22, 1999. He holds a post graduate degree in Economic Statistics from the University of Delhi and an MPA in Development Economics from Harvard University. He has had a distinguished career with the Government of India during which he held several senior positions including Secretary, Ministry of Power, Secretary, Ministry of Steel, Permanent Secretary, Small Scale Industries, Rural Industries and Technology Development, Special Secretary to the Prime Minister and Financial Advisor, Ministry of Petroleum.

He was also a founder-Director of the Small Industries Development Bank of India, and a member of the Board of Enterprise Development Institute.

Other Directorships

Name of the Company	Position
Haldia Petro-Chemicals Limited	Director
Hindustan Oil Exploration Co. Limited	Director

Other Committee Memberships

Name of the Company	Committee	Position
Hindustan Oil Exploration Co. Limited	Audit Committee	Member

B. Vijayaraghavan

B. Vijayaraghavan joined the ITC Board as an Independent Non-Executive Director on November 25, 1996. He was in the Indian Administrative Service from 1957 to 1993, when he retired in the

rank of Chief Secretary to the Government. He has served as Secretary to the Tamil Nadu Government in the Public Works, Forests & Fisheries, Prohibition and Excise and Home departments. He has been the Chairman of the Tamil Nadu Electricity Board, Member, Board of Revenue and Commissioner of Commercial Taxes, Tamil Nadu, Chairman and President, Tuticorin Alkali Chemicals and Fertilisers Limited, Chairman and Managing Director, State Industries Promotion Corporation of Tamil Nadu, Vigilance Commissioner and Commissioner for Administrative Reforms, Tamil Nadu.

After his retirement from Government service, Vijayaraghavan was a Member of the syndicates of Alagappa University and Bharathidasan University, Member of the Governing Council, Salim Ali Centre for Ornithology and Natural History and Member of the Committee for Economic Reforms, Jammu and Kashmir.

He is currently Chairman, Chennai Snake Park Trust, and a Trustee of the Indian Bank Mutual Funds. He does not hold any directorship/committee membership of any other company.

Notes:

1. The details of other Directorships and Committee Memberships of Directors are as on 31st March, 2001.
 2. The other Directorship details exclude Directorships in Indian Private Limited Companies, memberships of Managing Committees of various Chambers / bodies and Alternate Directorships.
 3. The Committee Membership details are in respect of Audit Committee, Investor Grievance Committee and the Remuneration Committee of Indian Companies.
- * Foreign Companies.

REPORT ON CORPORATE GOVERNANCE

The Directors present the Company's Report on Corporate Governance.

I.T.C. Limited is one of the front runners in India to put in place a formalised system of good Corporate Governance.

THE COMPANY'S GOVERNANCE PHILOSOPHY

ITC defines Corporate Governance as a systemic process by which companies are directed and controlled to enhance their wealth generating capacity. Since large corporations employ vast quantum of societal resources, ITC believes that the governance process should ensure that these companies are managed in a manner that meets stakeholders' aspirations and societal expectations.

ITC's Corporate Governance initiative is based on two core principles:

- (i) Management must have the executive freedom to drive the enterprise forward without undue restraints; and
- (ii) This freedom of management should be exercised within a framework of effective accountability.

ITC believes that any meaningful policy on Corporate Governance must provide empowerment to the executive management of the Company, and simultaneously create a mechanism of checks and balances which ensures that the decision-making powers vested in the executive management are not only not misused, but used with care and responsibility to meet stakeholders' aspirations and societal expectations.

From the above definition and core principles of Corporate Governance emerge the cornerstones of ITC's governance philosophy, namely trusteeship, transparency, empowerment and accountability, control and ethical corporate citizenship. ITC believes that the practice of each of these leads to the creation of the right corporate culture that enables the Company to be managed in a manner that fulfils the purpose of Corporate Governance.

Trusteeship recognises that large corporations have both an economic and a social purpose thereby casting the responsibility on the Board of Directors to protect and enhance shareholder value, as well as fulfil obligations to other stakeholders.

Transparency means explaining the Company's policies and actions to those to whom it has responsibilities. Externally, this means maximum

appropriate disclosures without jeopardising the Company's strategic interests and internally, this means openness in the Company's relationship with its employees and in the conduct of its business.

Empowerment is a process of unleashing creativity and innovation throughout the organisation by truly vesting decision-making powers at the most appropriate levels and as close to the scene of action as feasible. ITC believes that empowerment combined with accountability provides an impetus to performance and improves effectiveness, thereby enhancing shareholder value.

Control ensures that freedom of management is exercised within a framework of checks and balances and is designed to prevent misuse of power, facilitate timely response to change and ensure effective management of risks.

ITC's Corporate Governance processes continuously reinforce and help realise the Company's belief in ethical corporate citizenship and is manifest in exemplary standards of ethical behaviour, both within the organisation as well as in external relationships.

THE GOVERNANCE STRUCTURE

The practice of Corporate Governance in ITC is at three interlinked levels:

- (i) Strategic supervision – by the Board of Directors
- (ii) Strategic management – by the Corporate Management Committee
- (iii) Executive management – by the Divisional Chief Executives of the Businesses assisted by the respective Divisional Management Committees.

This three-tier structure enables the Board of Directors to carry out the task of strategic supervision as trustees of Shareholders, unencumbered by the task of strategic management, in a manner that imparts objectivity and secures sharpened accountability from the management. Similarly, the Corporate Management Committee can engage in the task of strategic management of the Company as a whole, leaving the task of day-to-day executive management with the empowered Divisional Management Committees focussed around each business.

The core roles of the key entities flow from the structure. The core roles, in turn, determine the core responsibilities of each entity. In order to discharge such responsibilities, each entity is empowered formally with requisite powers.

The structures, processes and practices of governance enables focus on the Corporate purpose while simultaneously facilitating effective management of the diverse portfolio of businesses.

The Governance Document that sets out the structures, policies and practices of governance, including the roles of the various entities within the organisation, are available at the Company's website www.itcportal.com for general information.

BOARD OF DIRECTORS

In terms of the Company's Corporate Governance Policy, all statutory and other significant and material information are placed before the Board to enable it to discharge its responsibilities of strategic supervision of the Company as trustees of the Shareholders.

Composition

The composition of the Board of Directors of the Company is balanced, consisting of eminently qualified Executive and Non-Executive Directors. The total number of Directors of the Company is fourteen, of which four are Executive Directors.

The following is the composition of the Board as on 31st March, 2001:

Director	Category of Director	No. of other Directorships (*)	No. of Memberships/ Chairmanships of other Board Committees (**)
Executive Directors			
Y. C. Deveshwar	Chairman	5	1 as Chairman
S. S. H. Rehman		11	1
A. Singh		5	Nil
K. Vaidyanath		9	7
Non-Executive Directors			
B. Sen	Independent Director	2	Nil
Ram S. Tarneja	Independent Director	14	4 (including 2 as Chairman)
B. Vijayaraghavan	Independent Director	Nil	Nil

Director	Category of Director	No. of other Directorships (*)	No. of Memberships/ Chairmanships of other Board Committees (**)
B. G. Daga	Independent Director – Representative of Unit Trust of India as Investor	3	1 as Chairman
Y. P. Gupta	Independent Director – Representative of Life Insurance Corporation of India as Investor	5	4
P. B. Ramanujam	Independent Director – Representative of General Insurance Corporation of India and its subsidiaries as Investor	2	1
A. C. Ahuja	Independent Director – Nominee of IFCI Ltd. as Lender	5	2
R. Vasudevan	Independent Director – Nominee of Industrial Development Bank of India as Lender	2	1
C. R. Green		Nil	Nil
A. A. F. Rodrigues		Nil	Nil
Alternate Director			
N. T. Gourlay (Alternate to Mr. C. R. Green)		Nil	Nil

* Excludes Directorships in Indian Private Limited Companies, Foreign Companies, memberships of Managing Committees of various Chambers / bodies and Alternate Directorships.

** Represents Memberships / Chairmanships of Audit Committee, Investor Grievance Committee and the Remuneration Committee of other Indian Companies.

Meetings and Attendance

The Company's Corporate Governance Policy requires the Board to meet at least six times in a year. As against this, during the financial year ended 31st March, 2001, eleven meetings of the Board were held.

Details of Board Meetings held during the year

Sl. No.	Date	Board Strength	No. of Directors present
1	24th May, 2000	13	12
2	27th July, 2000	13	10
3	28th July, 2000	13	11
4	29th July, 2000	14	9
5	20th September, 2000	14	11
6	25th October, 2000	14	13
7	25th October, 2000	14	13
8	29th November, 2000	14	12
9	17th January, 2001	14	13
10	12th February, 2001	15	11
11	21st March, 2001	14	14

Attendance of Directors at Board Meetings and at Annual General Meeting (AGM)

Director	No. of Board Meetings attended	Attendance at last AGM
Y. C. Deveshwar	11	Yes
S. S. H. Rehman	10	Yes
A. Singh	11	Yes
K. Vaidyanath ¹	3	NA
A. C. Ahuja ²	2	NA
B. G. Daga ²	4	NA
C. R. Green	5	No
Y. P. Gupta ³	6	NA
P. B. Ramanujam	11	Yes
A. A. F. Rodrigues	9	Yes
B. Sen	6	No
Ram S. Tarneja	9	Yes
R. Vasudevan	11	Yes
B. Vijayaraghavan	11	Yes
B. Mitter ⁴	10	Yes
T. Ganguli ⁵	7	Yes
K. P. Narasimhan ⁶	3	Yes

1 - Appointed a Director of the Company w.e.f. 17th January, 2001.

2 - Appointed a Director of the Company w.e.f. 28th July, 2000.

3 - Appointed a Director of the Company w.e.f. 25th October, 2000.

4 - Ceased to be a Director of the Company w.e.f. 7th March, 2001.

5 - Ceased to be a Director of the Company w.e.f. 17th January, 2001.

6 - Ceased to be a Director of the Company w.e.f. 25th October, 2000.

COMMITTEES OF THE BOARD

The Board of Directors has constituted five Committees of the Board – the Audit Committee, the Compensation Committee, the Investor Services Committee, the Nominations Committee and the Legal And Safety Audit Committee. The role and composition of these Committees, including the number of meetings held and the related attendance, is as follows:

A. AUDIT COMMITTEE

The Audit Committee of the Company, inter alia, provides reassurance to the Board on the existence of an effective internal control environment that ensures:

- efficiency and effectiveness of operations, both domestic and overseas.
- safeguarding of assets and adequacy of provisions for all liabilities.
- reliability of financial and other management information and adequacy of disclosures.
- compliance with all relevant statutes.

The role of the Committee includes the following: -

- (a) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- (b) Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services;
- (c) Reviewing with the management the annual financial statements before submission to the Board, focussing primarily on:
 - Any changes in accounting policies and practices
 - Major accounting entries based on exercise of judgement by management
 - Qualifications in draft audit report
 - Significant adjustments arising out of audit
 - The going concern assumption
 - Compliance with accounting standards
 - Compliance with Stock Exchange and legal requirements concerning financial statements



- Any related party transactions i.e., transactions of the Company of material nature, with the top management or their relatives, with shareholders with large holdings in the Company or their subsidiaries etc., that may have potential conflict with the interests of the Company at large;
- (d) Reviewing with the management, external and internal auditors, the adequacy of internal control systems and the Company's statement on the same prior to endorsement by the Board;
- (e) Reviewing the adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
- (f) Reviewing reports of Internal Audit and discussion with internal auditors on any significant findings and follow up thereon;
- (g) Reviewing the findings of any internal investigations by the internal auditors and the executive management's response on matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- (h) Discussion with the external auditors, before the audit commences, on nature and scope of audit, as well as after conclusion of the audit, to ascertain any areas of concern and review the comments contained in their management letter;
- (i) Reviewing the Company's financial and risk management policies;
- (j) Looking into the reasons for substantial defaults, if any, in payment to the depositors, debentureholders, shareholders (in case of non-payment of declared dividends) and creditors;
- (k) Considering such other topics as may be required by the Board;
- (l) Reviewing any other areas which may be specified as role of the Audit Committee under amendments, if any, from time to time, to the Listing Agreement, Companies Act and other statutes.

Composition

The Audit Committee comprises five Non-Executive Directors, with four of them being independent Directors. The Director responsible for the Finance function, the Head of Internal Audit and the representative of the Statutory Auditors are Permanent Invitees to the Audit Committee, and the Company Secretary is the Secretary to the Committee. The Chairman of the Committee is a Non-Executive Independent Director.

The names of the members of the Audit Committee, including its Chairman, are provided elsewhere in the Report and Accounts.

Attendance

Details of Audit Committee Meetings held during the year

Sl. No.	Date	Committee Strength	No. of Members present
1	24th May, 2000	5	5
2	29th July, 2000	5	5
3	21st September, 2000	5	5
4	25th October, 2000	5	5
5	28th November, 2000	5	4
6	18th January, 2001	5	4
7	12th February, 2001	5	4
8	20th March, 2001	5	4

Attendance at Audit Committee Meetings

Director	No. of meetings attended
P. B. Ramanujam	8
Y. P. Gupta ¹	3
A. A. F. Rodrigues	4
R. Vasudevan	8
B. Vijayaraghavan	8
T. Ganguli ²	5

1 - Appointed a Member of the Audit Committee w.e.f. 17th January, 2001.

2 - Ceased to be a Member of the Audit Committee w.e.f. 17th January, 2001.

B. REMUNERATION COMMITTEE

The Remuneration Committee of the Company, under the nomenclature 'Compensation Committee', inter alia, recommends to the Board of Directors the compensation terms of Executive



Directors and the seniormost level of management immediately below the Executive Directors. This Committee also has the responsibility for administering the Employee Stock Option Scheme of the Company approved by the Shareholders of the Company at an Extraordinary General Meeting held on 17th January, 2001.

Composition

The Compensation Committee comprises six Non-Executive Directors with four of them being independent Directors. The Chairman of the Committee is a Non-Executive Independent Director.

The names of the members of the Compensation Committee, including its Chairman, are provided elsewhere in the Report and Accounts.

Attendance

Details of Compensation Committee Meetings held during the year

Sl. No.	Date	Committee Strength	No. of Members present
1	28th July, 2000	5	4
2	29th November, 2000	6	4
3	17th January, 2001	7	5

Attendance at Compensation Committee Meetings

Director	No. of meetings attended
B. Sen	3
B. G. Daga ¹	1
Y. P. Gupta ²	1
C. R. Green	1
A. A. F. Rodrigues	2
Ram S. Tarneja	3
T. Ganguli ³	2

- 1 - Appointed a Member of the Compensation Committee w.e.f. 29th July, 2000.
 2 - Appointed a Member of the Compensation Committee w.e.f. 17th January, 2001.
 3 - Ceased to be a Member of the Compensation Committee w.e.f. 17th January, 2001.

Remuneration Policy

ITC's remuneration strategy is aimed at attracting and retaining high calibre talent. The strategy, therefore, takes into account the talent market, the remuneration trends (national and international) and the competitive requirement of each of its businesses. The remuneration policy is market led

so as to attract and retain the best talent and seeks to leverage performance in a significant manner.

Remuneration of Directors

Remuneration of Executive Directors is determined by the Compensation Committee of the Board comprising only Non-Executive Directors. The recommendations of the Compensation Committee are considered and approved by the Board subject to the approval of the Shareholders. Executive Directors are entitled to a Performance Bonus up to a maximum of 50% of their consolidated salary, as may be determined by the Board of Directors on the recommendation of the Compensation Committee. Remuneration of the Non-Executive Directors by way of annual commission is determined by the Board of Directors subject to the approval of the Shareholders.

Details of Remuneration of the Directors for the financial year ended 31st March, 2001

(Rs. in Lakhs)

Director	Consolidated Salary	Perquisites and other benefits	Performance Bonus/Commission	Sitting Fees	Total**
Y. C. Deveshwar	72.00	12.57	36.00	-	120.57
B. Mitter ¹	33.68	32.98	16.84	-	83.50
S. S. H. Rehman	30.00	11.65	15.00	-	56.65
A. Singh	30.00	6.64	15.00	-	51.64
K. Vaidyanath ²	4.97	2.50	2.48	-	9.95
A. C. Ahuja ³	-	-	0.60*	0.10*	0.70
B. G. Daga ⁴	-	-	2.02*	0.35*	2.37
T. Ganguli ⁵	-	-	2.40*	0.80*	3.20
C. R. Green	-	-	3.00*	-	3.00
Y. P. Gupta ⁶	-	-	1.29*	0.55*	1.84
K. P. Narasimhan ⁷	-	-	1.71*	0.65	2.36
P. B. Ramanujam	-	-	3.00*	1.65*	4.65
A. A. F. Rodrigues	-	-	3.00*	-	3.00
B. Sen	-	-	3.00*	1.10*	4.10
Ram S. Tarneja	-	-	3.00	1.50	4.50
R. Vasudevan	-	-	3.00*	1.75	4.75
B. Vijayaraghavan	-	-	3.00	2.05	5.05

- 1 - Ceased to be a Wholetime Director w.e.f. 7th March, 2001.
 2 - Appointed a Wholetime Director w.e.f. 17th January, 2001.
 3 - Appointed a Non-Executive Director w.e.f. 17th January, 2001.
 4 - Appointed a Non-Executive Director w.e.f. 28th July, 2000.
 5 - Ceased to be a Non-Executive Director w.e.f. 17th January, 2001.
 6 - Appointed a Non-Executive Director w.e.f. 25th October, 2000.
 7 - Ceased to be a Non-Executive Director w.e.f. 25th October, 2000.
 * - Being payable to the Institutions/Companies they represent.
 ** - Reference Schedule 18 (ix) to the Accounts.
 @ - Includes Rs. 0.10 lakh paid to the Institution Mr. Gupta represents.
 # - Includes a sum of Rs. 1.18 lakhs paid to the Institution Dr. Sen represented up to 28th July, 2000.

Service Contracts, Severance Fees and Notice Period

The appointment of the Executive Directors is governed by resolutions passed by the Board of Directors and the Shareholders of the Company, which covers the terms and conditions of such appointment read with the service rules of the Company. A separate Service Contract is not entered into by the Company with those elevated to the Board from the management cadre, who already have a prior Service Contract with the Company.

There is therefore no separate provision for payment of severance fee under the resolutions governing the appointment of Executive Directors who have all been drawn from amongst the management cadre. The statutory provisions will however apply.

In terms of the Articles of Association of the Company, a notice of one month is required to be given by a Director seeking to vacate office, and the resignation takes effect upon the expiration of such notice or its earlier acceptance by the Board.

Employee Stock Option Scheme

The Shareholders of the Company at an Extraordinary General Meeting held on 17th January, 2001, approved introduction of an Employee Stock Option Scheme.

The Company has not issued any Stock Options to its employees as on 31st March, 2001.

C. INVESTORS GRIEVANCE COMMITTEE

The Investors Grievance Committee of the Company, under the nomenclature 'Investor Services Committee' formed on 25th October, 2000, oversees redressal of shareholder and investor grievances, and approves sub-division, transmission, issue of duplicate shares etc.

Composition

The Investor Services Committee comprises three Directors with two of them being independent Directors. The Chairman of the Committee is a Non-Executive Independent Director.

The names of the members of the Investor Services Committee, including its Chairman, are provided elsewhere in the Report and Accounts.

Attendance

Details of Investor Services Committee Meetings held during the year

Sl. No.	Date	Committee Strength	No. of Members present
1	23rd November, 2000	3	3
2	11th December, 2000	3	3
3	26th December, 2000	3	2
4	8th January, 2001	3	3
5	17th January, 2001	3	3
6	8th February, 2001	3	3
7	19th February, 2001	3	3
8	26th February, 2001	3	3
9	5th March, 2001	3	3
10	26th March, 2001	3	3

Attendance at Investor Services Committee Meetings

Director	No. of meetings attended
B. Sen	10
P. B. Ramanujam	10
A. Singh	9

D. NOMINATIONS COMMITTEE

The Nominations Committee of the Company is primarily concerned with making recommendations to the Board regarding top level succession and appointments viz. the membership of the Board, the Corporate Management Committee and the seniormost level of executive management one level below the Board.

Composition

The Nominations Committee comprises the Executive Chairman and all Non-Executive Directors of the Company.

The names of the members of the Nominations Committee, including its Chairman, are provided elsewhere in the Report and Accounts.



Attendance

Details of Nominations Committee Meetings held during the year

Sl. No.	Date	Committee Strength	No. of Members present
1	24th May, 2000	10	9
2	28th July, 2000	10	9
3	20th September, 2000	11	8
4	17th January, 2001	11	9

Attendance at Nominations Committee Meetings

Director	No. of meetings attended
Y. C. Deveshwar	4
A. C. Ahuja ¹	NA
B. G. Daga ²	2
C. R. Green	1
Y. P. Gupta ³	1
P. B. Ramanujam	4
A. A. F. Rodrigues	4
B. Sen	3
Ram S. Tarneja	4
R. Vasudevan	4
B. Vijayaraghavan	4
T. Ganguli ⁴	2
K. P. Narasimhan ⁵	2

- 1 - Appointed a Member of the Nominations Committee w.e.f. 17th January, 2001.
- 2 - Appointed a Member of the Nominations Committee w.e.f. 29th July, 2000.
- 3 - Appointed a Member of the Nominations Committee w.e.f. 25th October, 2000.
- 4 - Ceased to be a Member of the Nominations Committee w.e.f. 17th January, 2001.
- 5 - Ceased to be a Member of the Nominations Committee w.e.f. 25th October, 2000.

E. LEGAL AND SAFETY AUDIT COMMITTEE

The Legal And Safety Audit Committee of the Company, inter alia, reviews status of compliance with statutory requirements and safety standards.

Composition

The Legal And Safety Audit Committee comprises four Non-Executive Directors with three of them being independent Directors. The Chairman of the Committee is a Non-Executive Independent Director.

The names of the members of the Legal And Safety Audit Committee, including its Chairman, are provided elsewhere in the Report and Accounts.

Attendance

Details of Legal And Safety Audit Committee Meetings held during the year

Sl. No.	Date	Committee Strength	No. of Members present
1	22nd April, 2000	5	2
2	24th May, 2000	5	5
3	23rd June, 2000	5	2
4	19th July, 2000	5	4
5	20th July, 2000	5	4
6	31st July, 2000	5	2
7	16th August, 2000	5	4
8	17th August, 2000	5	5
9	9th September, 2000	5	4
10	9th September, 2000	5	4
11	19th September, 2000	5	3
12	24th October, 2000	5	3
13	24th October, 2000	5	3
14	16th November, 2000	4	3
15	16th January, 2001	4	4
16	16th January, 2001	4	4
17	31st January, 2001	4	2
18	22nd March, 2001	4	3

Attendance at Legal And Safety Audit Committee Meetings

Director	No. of meetings attended
B. Vijayaraghavan	18
A. A. F. Rodrigues	9
Ram S. Tarneja	14
R. Vasudevan	12
K. P. Narasimhan ¹	8

- 1 - Ceased to be a Member of the Legal And Safety Audit Committee w.e.f. 25th October, 2000.

DISCLOSURES

Materially significant related party transactions which may have potential conflict with the interests of the Company at large.

None

Details of non-compliances, penalties, strictures by Stock Exchanges / SEBI / Statutory Authorities on any matter related to capital markets during the last three years.

None

Pecuniary relationships or transactions with the Non-Executive Directors.

None



MEANS OF COMMUNICATION

Timely disclosure of consistent, comparable, relevant and reliable information on corporate financial performance is at the core of good governance. Towards this end the Quarterly results of the Company were announced within a month of the end of each quarter and the Audited Annual results were announced within two months of the end of the financial year; such results were published, inter alia, in 'The Statesman' and 'Sangbad Pratidin' from Kolkata, and on an all India basis in major newspapers. These results can also be accessed on the Company's website, www.itcportal.com. The Company's official news releases are also available on the website. Clarifications as and when provided to institutional investors and analysts, will also be made available on the website, including presentations, if any.

As in the past, the Company will be publishing its quarterly, half-yearly and annual financial results in the newspapers on an all India basis and will also

post the same on the Company's website. The Report of the Directors, forming part of the Report and Accounts, includes all aspects of the Management Discussion and Analysis Report.

GENERAL SHAREHOLDER INFORMATION

Provided in the 'Shareholder Information' section of the Report and Accounts.

COMPLIANCE CERTIFICATE OF THE AUDITORS

The Company has obtained a Certificate from the Statutory Auditors certifying Compliance of Conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges and the same is annexed to the Report of the Directors & Management Discussion and Analysis.

The Certificate will also be sent to the Stock Exchanges alongwith the Annual Return that will be filed by the Company.





SHAREHOLDER INFORMATION

AGM Details

Date	Friday, 3rd August, 2001
Venue	Science City Main Auditorium JBS Haldane Avenue Kolkata 700 046
Time	10.00 a.m.
Book Closure Dates	Wednesday, 18th July, 2001 to Friday, 3rd August, 2001 (both days inclusive)
Dividend payment date	On or after Monday, 6th August, 2001, but within the statutory time limit

Registrar & Share Transfer Agents

An in-house Investor Service Centre (ISC) of the Company carries out share registration and other related activities for which the Company is registered with SEBI as Category II Share Transfer Agent.

Address for Correspondence

Investor Service Centre

I.T.C. Limited

37, Chowringhee

Kolkata 700 071

Telephone nos. : 0091-033-288-6426

0091-033-288-0034

Facsimile no. : 0091-033-288-2358

e-mail : itcsec@cal3.vsnl.net.in

Shareholders holding shares in the electronic form should address their correspondence, except those relating to dividend, to their respective Depository Participants.

Compliance Officer

Arun Bose, Assistant Secretary, in-charge of ISC, is the Compliance Officer under SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 and under Clause 47 of the Listing Agreement with Stock Exchanges.

Transfer System

The Share and Debenture Transfer Committee of the Company generally meets every week for

approving share transfers. The processing activities with respect to requests received for share transfer are completed within 7-10 days from the date of receipt of request. After such processing, the facility of simultaneous transfer and dematerialisation of shares is provided to the Shareholders.

There are no pending share transfers as of 31st March, 2001.

The Share and Debenture Transfer Committee comprises the following :

K. Vaidyanath, Executive Director – Chairman

B. B. Chatterjee, Company Secretary – Member

K. S. Suresh, Company Solicitor – Member

The Assistant Secretary, in-charge of ISC, is the Secretary to the Committee.

Dematerialisation of Shares and Liquidity

The shares of the Company are compulsorily traded in dematerialised form and are available for trading under both the Depository Systems in India - NSDL (National Securities Depository Limited) and CDSL (Central Depository Services (India) Limited).

As on 31st March, 2001, a total of 14,17,13,613 Ordinary Shares of the Company, which forms 57.74% of the Share Capital, stands dematerialised. The processing activities with respect to the requests received for dematerialisation are completed within 3-5 days from the date of receipt of request.

Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's Ordinary Shares is INE154A01017.

Shareholder Complaints

The Company received 1,241 complaints during the financial year ended 31st March, 2001, and none of the complaints received were pending as on that date.

	Received	Redressed	Pending
Shareholders / Investors	1,110	1,110	Nil
Stock Exchanges	60	60	Nil
Securities and Exchange Board of India	31	31	Nil
Depositories	31	31	Nil
Department of Company Affairs	9	9	Nil
Total	1,241	1,241	Nil



The Company has attended to the Shareholders'/ Investors' grievances /correspondence generally within a period of 7-10 days except in cases where constrained by disputes or legal impediments.

Nature of Complaints

	No. of Complaints	% of Complaints
Non-receipt of Dividend Warrants	534	43
Transfer of Shares	38	3
Transmission of Shares	21	2
Non-receipt of Share Certificates	98	8
Issue of Duplicate Share Certificates	71	6
Dematerialisation of Shares	103	8
Others	376	30
Total	1,241	100

Legal Proceedings

There are some pending cases relating to disputes over title to shares, in which the Company has been made a party. These cases are however not material in nature.

Distribution of Shareholding as on 31st March, 2001

Slab	No. of Shareholders		No. of Ordinary Shares	
	Total	% of Shareholders	Total	% to Share Capital
1 - 500	1,28,679	88.16	1,61,15,474	6.57
501 - 1000	10,424	7.14	71,42,472	2.91
1001 - 2000	4,440	3.04	62,94,655	2.56
2001 - 3000	1,060	0.73	25,98,678	1.06
3001 - 4000	484	0.33	16,70,783	0.68
4001 - 5000	211	0.14	9,50,626	0.39
5001 - 10000	335	0.23	22,96,381	0.94
10001 and above	329	0.23	20,76,85,579	84.62
Others *	NA	NA	6,60,256	0.27
Total	1,45,962	100.00	24,54,14,904	100.00

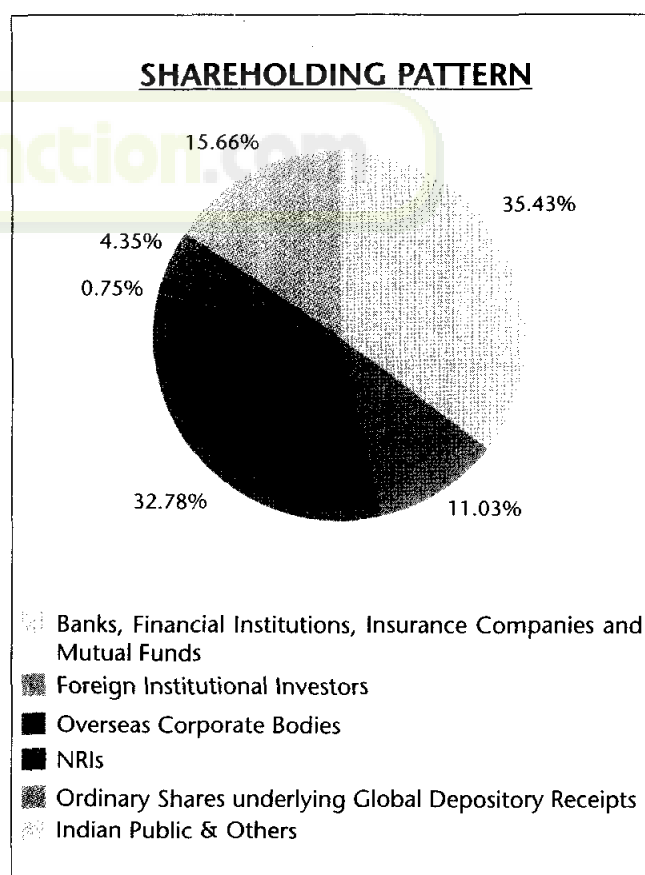
* Represents demat shares 'In-transit' as per NSDL records.

Category of Shareholders as on 31st March, 2001

Category	No. of Ordinary Shares held	% of Shareholding
Banks, Financial Institutions, Insurance Companies and Mutual Funds	8,69,59,382	35.43
Foreign Institutional Investors	2,70,79,091	11.03
Overseas Corporate Bodies	8,04,58,926	32.78
NRIs	18,27,020	0.75
Ordinary Shares underlying Global Depository Receipts *	1,06,75,350	4.35
Indian Public & Others **	3,84,15,135	15.66
Total	24,54,14,904	100.00

* Held by Citibank N.A. New York ADR Department.

** Includes demat shares 'In-transit' as per NSDL records.





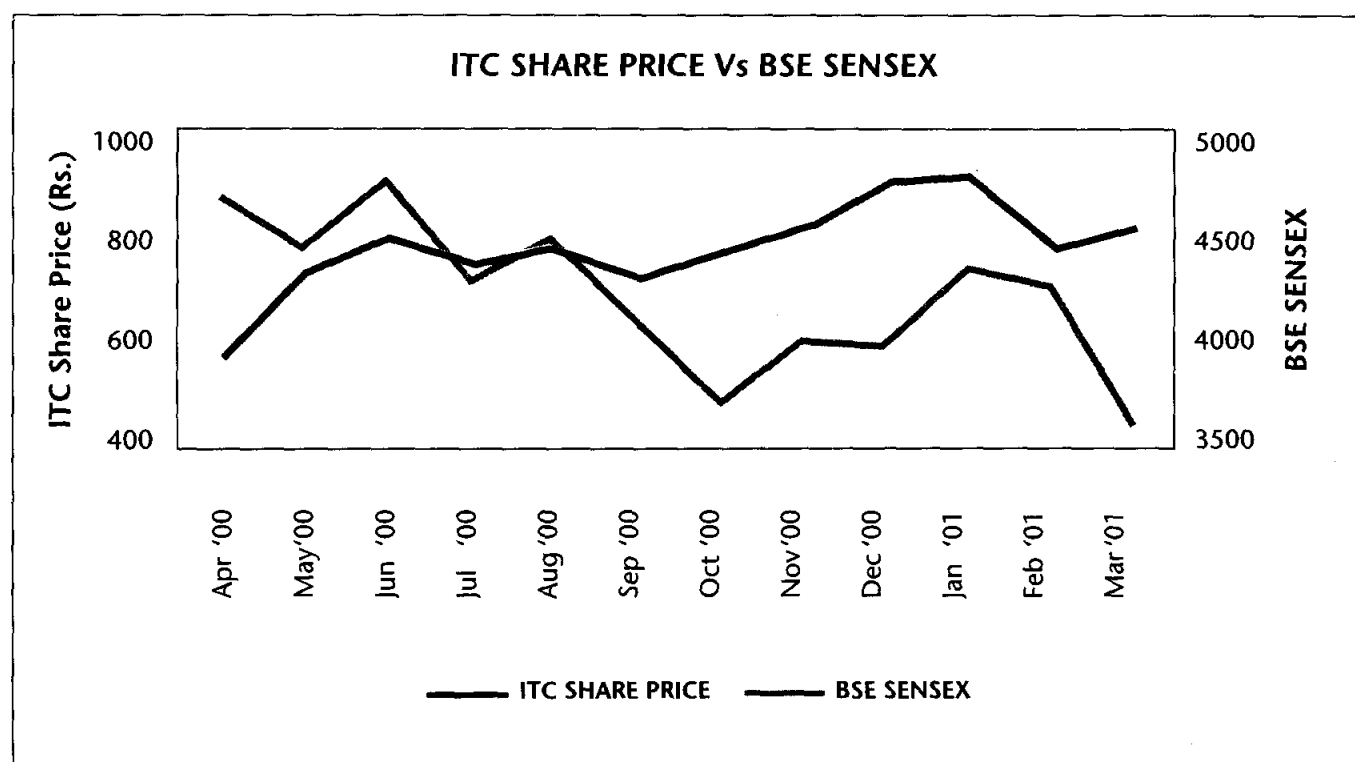
Global Depository Receipts

Pursuant to an offer of Global Depository Receipts (GDRs) made by the Company in 1993, 1,06,75,350 GDRs, representing 1,06,75,350 underlying Ordinary Shares of the Company, were outstanding as on 31st March, 2001.

Monthly High and Low quotation of Shares traded on Calcutta Stock Exchange (CSE), Mumbai Stock Exchange (BSE) & National Stock Exchange (NSE) and for the GDRs on Luxembourg Stock Exchange (LSE)

Month	CSE		BSE		NSE		LSE (GDR)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)	High (US\$)	Low (US\$)
2000 APRIL	786.70	492.50	793.75	490.00	800.80	489.80	20.25	15.75
MAY	779.00	495.10	786.00	496.00	789.00	495.10	17.50	14.35
JUNE	805.00	653.60	805.50	650.00	805.00	650.10	19.50	15.75
JULY	882.10	701.00	882.00	702.00	879.90	701.00	20.35	17.75
AUGUST	835.80	734.00	837.50	734.05	838.95	733.30	20.50	18.75
SEPTEMBER	855.00	701.00	859.00	700.15	858.00	702.15	20.75	16.75
OCTOBER	799.80	704.00	802.00	700.00	801.65	703.00	19.13	15.25
NOVEMBER	834.00	750.00	840.00	745.00	854.00	748.00	19.50	16.75
DECEMBER	939.90	810.50	939.00	812.00	936.00	810.00	21.75	19.25
2001 JANUARY	955.50	860.00	962.00	865.05	960.00	862.00	21.75	19.25
FEBRUARY	920.10	761.20	920.00	760.00	921.95	760.00	21.75	16.30
MARCH	850.00	690.00	842.95	680.00	842.50	688.00	19.10	15.00

Performance in comparison to broad based indices such as BSE SENSEX





Listing on Stock Exchanges (with Stock Code)

The Calcutta Stock Exchange Association Ltd. (18)
7, Lyons Range
Kolkata 700 001

The Stock Exchange, Mumbai (875)
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001

National Stock Exchange of India Ltd. (ITC)
Trade World
Senapati Bapat Marg
Lower Parel
Mumbai 400 013

The Uttar Pradesh Stock
Exchange Association Ltd. (ITC)
Padam Towers
14/113, Civil Lines
Kanpur 208 001

Bangalore Stock Exchange Ltd. (ITC)
Stock Exchange Towers
No. 51, 1st Cross
J. C. Road
Bangalore 560 027

The Hyderabad Stock Exchange Ltd. (ITC)
3-6-275, Himayatnagar
Hyderabad 500 029

The Stock Exchange, Ahmedabad (ITC)
Kamdheni Complex
Opp. Sahajanand College
Panjarapole
Ahmedabad 380 015

Cochin Stock Exchange Ltd. (ITC)
36/1565, 4th Floor
MES Buildings
Judges Avenue
Kaloore
Cochin 682 017

Pune Stock Exchange Ltd. (ITCLI 000875)
'Shivleela Chambers'
752, Sadashiv Peth
R. B. Kumthekar Marg
Pune 411 030

Madras Stock Exchange Ltd. (ITC)
Exchange Building
11, Second Line Beach
Chennai 600 001

The Delhi Stock Exchange Association Ltd. (9020)
DSE House
3/1, Asaf Ali Road
New Delhi 110 002

The Listing Fees for the year 2001/2002 have been paid to the above Stock Exchanges.

The Company's GDRs are listed at the Luxembourg Stock Exchange (Code : ITCG), at Societe de la Bourse de Luxembourg, 11 Avenue de la Porte - Neuve, L-2227 Luxembourg, and the Listing Fee for the calendar year 2001 has also been paid.

Plant Locations

CIGARETTE FACTORIES

Bangalore
P.O. Pulikeshinagar
Bangalore 560 005
Meenakunte Village
Jalahobli
Bangalore (North) 562 157

Saharanpur
Sardar Patel Marg
P.O.Box No. 25
Saharanpur 247 001

Munger
Basdeopur P.O.
District Munger
Munger 811 202

Kolkata
93/1 Karl Marx Sarani
P.B. No. 17203
Kolkata 700 043

GREEN LEAF THRESHING PLANTS

Anaparti
Anaparti 533 342
East Godavari District

Chirala
P.B. No. 1
Chirala 523 157

**PACKAGING & PRINTING FACTORIES**

Tiruvottiyur
P.O. Box No. 2277
Tiruvottiyur
Chennai 600 019

Munger
Basdeopur P.O.
District Munger
Munger 811 202

PAPER MILL

Tribeni
Tribeni Mill
P.O. Chandrahati
District Hooghly
West Bengal 712 504

HOTELS

Delhi
ITC Hotel Maurya Sheraton & Towers
Sardar Patel Marg
Diplomatic Enclave
New Delhi 110 021

Mumbai
ITC Hotel Grand Maratha Sheraton & Towers
Sahar
Mumbai 400 099

Chennai
Chola Sheraton
10, Cathedral Road
Chennai 600 086

Agra
Mughal Sheraton
Taj Ganj
Agra 282 001

**LIFESTYLE RETAIL OUTLET
& CLUB STORES**Retail Outlet at :

New Delhi
Wills Sport Store
F-41, U&I Centre,
South Extension Part-I
New Delhi 110 049

Club Stores at :

New Delhi
Delhi Golf House
Kolkata
Tollygunge Club
Royal Calcutta Golf Club

Gurgaon
Classic Golf Resort

Bangalore
Karnataka Golf Association
Bangalore Golf Club

Coimbatore
Coimbatore Golf Club

Mumbai
United Services Club

Financial Calendar

Financial Year 2001 / 2002		
1	First Quarter Results	July 2001
2	Second Quarter and Half Yearly Results	October 2001
3	Third Quarter Results	January 2002
4	Annual Results	May 2002

Particulars of Past three AGMs

AGM	YEAR	VENUE	DATE	TIME
89th	1999/2000	Science City	28/07/2000	10.00 a.m.
88th	1998/1999	Main Auditorium	30/07/1999	10.00 a.m.
87th	1997/1998	JBS Haldane Avenue, Kolkata 700 046	12/08/1998	10.00 a.m.

An Extraordinary General Meeting of the Company was also held on 17th January, 2001, at 10.00 a.m. at Science City, Main Auditorium, JBS Haldane Avenue, Kolkata 700 046.

Postal Ballot

No special resolution requiring a postal ballot was placed before the last AGM. Similarly, no special resolution requiring a postal ballot is being proposed at the ensuing AGM.



SHAREHOLDER REFERENCER

Unclaimed Dividends

Pursuant to Section 205A of the Companies Act, 1956, unclaimed dividends up to and including for the financial years 1993-94 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrant(s) relating to financial year(s) up to 1993-94 are requested to claim the amounts from the Registrar of Companies, West Bengal, Govt. of India, Nizam Palace, M. S. Office Building, 234/4, A. J. C. Bose Road, Kolkata 700 020 in the prescribed form, which can be downloaded from the Company's website (www.itcportal.com under the section 'Investor Relations') or can be furnished by the ISC on request.

The dividends for the following years remaining unclaimed for 7 years will be transferred by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205C of the Companies Act, 1956 :

Financial Year	Dividend No.	Date of Declaration of Dividend	Due for transfer on
1994-1995	65th	28th September, 1995	16th November, 2002
1995-1996	66th	22nd August, 1996	9th October, 2003
1996-1997	67th	27th August, 1997	14th October, 2004
1997-1998	68th	12th August, 1998	28th September, 2005
1998-1999	69th	30th July, 1999	16th September, 2006
1999-2000	70th	28th July, 2000	14th September, 2007

Shareholders who have not so far encashed their dividend warrant(s) or have not received the same are requested to seek issue of duplicate warrant(s) by writing to the ISC confirming non-encashment/non-receipt of dividend warrant(s).

Bank Details

Shareholders holding shares in physical form are requested to notify / send the following to the ISC to facilitate better service :-

- any change in their address / mandate / bank details and
- particulars of their bank account, in case the same have not been sent earlier.

While opening accounts with Depository Participants (DPs), Shareholders may have given their bank account details, which will be used by the Company for printing on warrants for payment of dividend. Shareholders who wish to receive dividend in an account other than the one specified while opening the Depository Account, may notify their DPs about any change in bank account details. Shareholders are further requested to furnish complete details of their bank accounts including MICR codes of their bank to their DPs.

Electronic Clearing Service (ECS) Facility

With respect to payment of dividend, the Company provides the facility of ECS to Shareholders residing in the following cities :

Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Coimbatore, Cochin, Delhi, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, Patna and Thiruvananthapuram.

Shareholders holding shares in physical form who now wish to avail ECS facility, may authorise the Company with their ECS mandate in the prescribed form, which can be downloaded from the Company's website (www.itcportal.com under the section 'Investor Relations') or can be furnished by the ISC on request.

Depository Services

For guidance on depository services, Shareholders may write to the ISC or to the respective depositories :

National Securities Depository Limited
Trade World, 5th floor, Kamala Mills Compound
Senapati Bapat Marg, Lower Parel, Mumbai 400 013
Telephone : 0091-022-4972964-70
Facsimile : 0091-022-4972993/4976351
e-mail : info@nsdl.co.in
Website : www.nsdl.co.in

Central Depository Services (India) Limited
Phiroze Jeejeebhoy Towers
28th floor, Dalal Street, Mumbai 400 023
Telephone : 0091-022-2723333
Facsimile : 0091-022-2723199/2722072
e-mail : info@centraldepository.com
Website : www.centraldepository.com

Nomination Facility

Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit to the ISC the prescribed Form 2B for this purpose, which can be downloaded from the Company's website (www.itcportal.com under the section 'Investor Relations') and has also been furnished alongwith the Notice convening the Annual General Meeting.



REPORT OF THE DIRECTORS & Management Discussion and Analysis

For The Financial Year Ended 31st March, 2001

Your Directors submit their Report for the financial year ended 31st March, 2001.

SOCIO-ECONOMIC ENVIRONMENT

The year under review witnessed a slower growth of GDP at 6.0% in comparison to the 6.4% of the previous year, and much lower than the target of 7% set by Budget 2000. The slower growth was mainly a result of deceleration in the growth rate of the services sector from 9.6% to 8.3% and lower than expected growth rates in agriculture and industry.

The year ahead will be one of great challenge for the Indian industry. The competitive context of a rapidly globalising Indian market will severely test the inherent capabilities of Indian companies. The uncertain prognosis on the economic slump in the United States, fears of slowdown in Europe and the continuing stagnation in Japan are already beginning to adversely impact export-led growth opportunities for Indian companies, particularly in the Information Technology sector. Sustaining positive investor sentiment in such a depressed global economic climate will require concerted initiatives on the part of both industry and Government. While Indian companies will have to hasten the achievement of international competitiveness, the Government will have to play the role of a catalyst by accelerating reforms and upgrading social and physical infrastructure.

Your Company continues the endeavour of aggressively building sustainable competitiveness in each of its businesses, pursuing as always the objective of significantly enlarging its contribution to the Indian economy and thereby creating growing shareholder value.

COMPANY PERFORMANCE

The year under review concluded with your Company crossing yet another milestone when its Post-tax Profit at Rs.1006 crores exceeded the one thousand crore mark, registering a substantial growth of 27 % over the previous year. Pre-tax Profit at Rs. 1600 crores represents a growth of 30%. Despite difficult trading conditions, Sales grew by 9% to touch Rs. 8679 crores. These results were achieved through continuing focus on management of costs, productivity improvements, continuous value addition to products and services, quality upgradation and strengthening the goodwill of your Company's trademarks. Strong cash flows from

operations and retirement of debt resulted in further reduction in interest costs.

Your Directors are pleased to recommend a dividend of Rs.10 per share (previous year Rs.7.50 per share) for the year ended 31st March, 2001. The consequent outflow, including the Dividend Tax of Rs.25.03 crores will be Rs.270.45 crores (previous year Rs.224.55 crores). Your Board further recommends a transfer to General Reserve of Rs.700 crores from current year's profits (previous year Rs.600 crores). Consequently, your Board recommends leaving an unappropriated balance in the Profit and Loss Account of Rs.282.50 crores (previous year Rs.201.28 crores).

PROFITS, DIVIDENDS AND RETENTION

	(Rs. in crores)	
	2001	2000
a) Profit Before Tax	1600.30	1228.95
b) Income Tax	594.04	436.51
c) Profit After Tax	1006.26	792.44
d) Add : Profit brought forward from previous year	201.28	187.86
e) Transfer from Hotel Foreign Exchange Earnings Reserve	54.01	8.48
Less : Transfer to Hotel Foreign Exchange Earnings Reserve	6.00	5.00
f) Release from Investment Allowance Reserve	0.40	1.22
g) Surplus available for Appropriation	1255.95	985.00
h) Transfer to Debenture Redemption Reserve	17.50	17.50
i) Less : Transfer from Debenture Redemption Reserve	14.50	58.33
	3.00	(40.83)
j) Transfer to General Reserve	700.00	600.00
k) Proposed dividend for the financial year at a rate of Rs. 10 per Ordinary Share (previous year Rs. 7.50 per Ordinary Share)	245.42	184.06
Income Tax on proposed dividend	25.03	40.49
l) Retained Profits carried forward to the following year	282.50	201.28
	1255.95	985.00



FOREIGN EXCHANGE EARNINGS

In pursuit of creating growing value for the Indian economy, your Company has always endeavoured to maximise its foreign exchange earnings. It is significant to note that the ITC Group, over the last decade, has generated foreign exchange earnings of over US\$2 billion, which has more than paid for technology related capital imports aimed at enhancing its competitive capability.

During the year under review, your Company, its subsidiaries and the ITC Welcomgroup chain together contributed to foreign exchange earnings amounting to Rs.911 crores, of which Rs.697 crores represents direct earnings by your Company. Expenditure in foreign currency by your Company amounted to Rs.259 crores, comprising purchase of raw materials, spares and other expenses at Rs.199 crores, and Rs.60 crores for import of capital goods in continuation of your Company's modernisation programme. During the year Rs.70 crores of foreign currency loans were prepaid.

Full particulars of foreign exchange earnings and outgo are provided in Schedule 18 to the Accounts.

PRODUCT GROUPS

a) Cigarettes and Cigarette Leaf Tobacco

Cigarettes

Continued discriminatory and punitive taxation at the Central and State levels over the years has led to a progressive migration from cigarettes to other forms of tobacco consumption, with the share of cigarettes falling from around 23% in 1971 to below 16% currently. This high incidence of taxation now amounts to over 80% of the value added in the cigarette industry, thereby making cigarettes increasingly unaffordable to the Indian tobacco consumer. Of the 200 million tobacco consumers in India, fewer than 15% can afford cigarettes, the internationally preferred format of tobacco consumption. Non-cigarette forms of tobacco consumption, although constituting nearly 84% of tobacco consumption in the country, contribute barely 10% of Government revenues from this sector on account of the difficulty of tax collection and the low tax yields that characterise this largely unorganised sector. This structure of the tobacco industry and the high rates of taxation on cigarettes

have combined to diminish the share of cigarettes in tobacco consumption, even as the aggregate tobacco consumption in India continues to grow, driven by the growth in non-cigarette forms of consumption. Consequently, the tax buoyancy of the tobacco sector stands diminished. It is now a well-established principle that sustainable tax buoyancy can be realised only from an expanding tax base. The twin impact of moderation in tax rates and the aspiration of consumers to upgrade tobacco consumption, can multiply the size of the cigarette segment even in a shrinking basket of tobacco consumption and consequently provide a much larger tax base to yield the resources to invest in social infrastructure. Moderation in the rates of tax will create a multiplier effect, the greatest beneficiary of which will be the rural sector.

The principle of moderation in tax rates also extends to State sales taxes imposed under the nomenclature of 'luxury and other taxes'. Apart from the detrimental effect of cascading taxes, differing rates of taxes among various States are fragmenting the market, thereby negating the advantages inherent in a larger common market. Recognising the high degree of sensitivity of taxes on cigarette trade, the principle of uniform, single point taxation was embodied in the understanding between the Centre and the States at the National Development Council meeting of 1955, that substituted State sales taxes on cigarettes with additional excise duty. The levies of luxury and other State taxes in recent years tantamount to an infringement of this arrangement. This matter is currently being contested before the Supreme Court and your Company is hopeful of a positive outcome.

Loopholes in the regulatory framework and lack of effective enforcement, together with punitive rates of taxation have spawned a flourishing trade in smuggled cigarettes. Conservative estimates indicate that smuggling of cigarettes is causing a national loss in excess of Rs.1000 crores per annum due to unaccounted outflow of foreign exchange and the related loss of revenue to the Exchequer that would otherwise accrue on equivalent domestic manufacture. This contraband trade is estimated to be growing at an alarmingly high rate of more than 20% per annum.



The menace of contraband cigarettes is well recognised the world over. According to one estimate, one third of the total world trade in cigarettes is contraband in nature. Since tax is avoided in the exporting country and evaded in the consuming country, smuggling of cigarettes has become lucrative and appears to be highly organised. In this context, the recent lifting of Quantitative Restrictions on the import of cigarettes into the country will provide the opportunity to be used as a cover for supply to the contraband channel. While it is heartening to note that the Government has included cigarettes in the watch list of 300 sensitive items, the imports of which will be closely monitored, the policy framework related to the tobacco industry needs to take into account the growing menace of smuggled cigarettes and the resultant tax export, which is detrimental to the Indian economy. Your Company has made comprehensive recommendations to the Central Government for reform of the legal framework relating to the tobacco industry and has also highlighted the need for effective enforcement.

The regulatory framework in respect of tobacco products needs to be pragmatic and equitable, such that the regulation of tobacco consumption is orderly and progressive, securing maximisation of economic contribution even in a shrinking basket of tobacco consumption. The Cigarettes & Other Tobacco Products Bill 2001, the intent of which is to regulate promotion of all tobacco products, in its current form would result in more stringent regulations on cigarettes as compared to any other tobacco product. For example, the proposed Bill makes the regulations governing cigarettes applicable to the whole of India, while leaving it to the option of the individual States to apply these regulations to all other tobacco products. Also, the declaration of nicotine and tar content is sought to be made mandatory only for cigarettes, and not for other tobacco products which account for nearly 84% of the tobacco consumption in the country. Such differential treatment will cause a further shift to other forms of tobacco consumption which will lead to a significant reduction in the economic contribution from the tobacco sector without reducing consumption of tobacco among the economically disadvantaged sections of our society.

The Bill inter alia also seeks to prohibit sponsorships and advertising in respect of all tobacco products in the electronic and print media. In a globalising economy, where a significant share of media could be controlled by entities outside India, implementation of the proposed ban on communication would not only prove cumbersome, but would also provide an unintended and unfair advantage to foreign cigarette brands that continue to target the Indian market using such communication channels, thereby also providing a fillip to contraband trade. Such an inequity will seriously hamper the development of Indian brands, so vital for Indian enterprises to become internationally competitive. Your Company hopes that Government will take into account and consider the views of all constituents of the tobacco industry before formulating any legislative measures. Meanwhile, as a responsible corporate citizen, your Company, in a constructive spirit, has voluntarily withdrawn from sponsorships of all sporting events.

Despite the unfair advantage enjoyed by brands sold through the contraband channel, your Company's unwavering focus on quality, product development and modernisation of its manufacturing facilities has enabled it to provide world class quality to the Indian consumer, thereby minimising the economic injury caused to your Company and to the Indian economy.

Your Company continues to invest in contemporary technology with a view to constantly enhancing value to the consumers. Your Company's world class manufacturing facilities cater to a variety of premium brands in different taste and flavour options for the domestic and export markets. As a result, nearly three fourths of your Company's cigarette output is now in the filter format. Further, more than 60% of your Company's filter cigarettes are now marketed in the internationally preferred Hinged Lid form of packaging, up from 4% in 1995-96. In an acknowledgement of your Company's environment-friendly methods of managing resources, the cigarette factory at Saharanpur became yet another of your Company's manufacturing units to earn the ISO 14000 accreditation. Whilst your Company's share of the tobacco sector as a whole is a modest 10%, focus

on product development, and initiatives to tap the rural potential, together with enhancement of the quality of market coverage have led to improvement in the market share of your Company's products in the domestic cigarette segment, although vis-à-vis the total cigarette sales in India, your Company's market share declined due to the rampant trade in contraband.

Although, in the wake of the steep increase in excise duties imposed by Budget 2001, cigarette industry volumes are expected to decline in the near term, your Company is confident that continuous value addition to its brands will enable it to sustain its market standing and profitability. There is a large latent demand for your Company's products with tobacco consumers aspiring to upgrade consumption to the internationally preferred cigarette format. The growing per capita incomes of tobacco consumers, supported by moderation in taxes and effective measures to curb the flow of contraband can progressively enlarge the share of cigarettes even in a shrinking tobacco basket, thereby enlarging the tax base, enhancing foreign exchange earnings from exports of cigarette tobaccos and thus providing growth opportunities to your Company from this sector.

In summary, the growth prospects depend upon the rate of growth of per capita incomes of tobacco consumers, moderation in taxes, effectiveness of measures to curb the flow of contraband and policy measures that do not disadvantage Indian brands in relation to brands imported from outside the country. Given a conducive environment, your Company, with its market standing and the strength of its brands, is well positioned to sustain its leadership role in the tobacco sector.

Cigarette Leaf Tobacco

The glut in the global Flue Cured Virginia (FCV) tobacco market is beginning to exhibit early signs of a correction, although the excess of supply over demand is likely to persist till 2002. As stated in the Report of the Directors last year, in the face of domestic production of FCV tobaccos far in excess of the limits authorised by the Tobacco Board, and demands from a section of farmers in Andhra Pradesh for a crop holiday, the Tobacco Board decided not to authorise the 2001 crop in Andhra

Pradesh. This decision was challenged by some farmer and trade associations in the Andhra Pradesh High Court. Your Company, as a responsible and leading partner of the Indian cigarette tobacco farmer, with a view to protecting the interest of the farmer, offered guarantees in respect of prices and volumes. This offer by your Company was one of the factors which led the High Court to direct the Central Government to re-examine the entire issue, while simultaneously permitting farmers who had already raised their crops to continue to nurture them. Your Company had, as a measure of assistance to the farmers, purchased leaf tobacco well in excess of requirements and is therefore adequately stocked to address market requirements for the coming year. While the crop holiday has created adverse challenges for Indian tobacco exports, your Company is endeavouring to maintain its exports of leaf tobacco at levels achieved during 2000-01.

Your Company continues to provide crop development services towards enhancing the quality of tobaccos and developing newer varieties with export potential. Your Company has been making pioneering efforts to develop internationally competitive Oriental tobaccos in the backward region of Chittoor District in Andhra Pradesh. There is a growing demand in world markets for these varieties, the cultivation of which is employment intensive. These pilot efforts have proved successful and your Company is now engaged in extension activities for such varieties.

The state-of-the-art leaf tobacco processing lines at Chirala, commissioned at a capital cost of about Rs.104 crores, are now fully operational. The commissioning of these facilities has significantly enhanced the quality of threshed tobaccos, which would not only enable export competitiveness, but would also support the quality enhancement of your Company's cigarettes.

b) Hotels

Your Company continued to progress its plans to complete the ITC Welcomgroup hotel chain and expand its market presence to capture the long term growth opportunities in the hotels business. Two significant milestones in this strategic roadmap were attained with the opening of 'ITC One', the super



deluxe extension of the Maurya Sheraton, in September 2000, and the launch of the ITC Grand Maratha Sheraton, Mumbai in January 2001. Both these hotels have been well received by guests. The construction of the ITC Sonar Bangla at Kolkata and the ITC Grand Towers, Upper Worli, Mumbai is making steady progress. These premium hotels are expected to open their doors to guests by the end of 2002. In order to tap the long term potential of the fast growing Chennai market, your Company has acquired 8 acres of prime land in the city.

Your Company believes that hotels constitute an important part of infrastructure for the growth of trade, commerce and industry. Globalising markets and the expected high rates of growth of the Indian economy will lead to a growing demand for high quality accommodation. Although in the short term the excess supply position may persist, the long term prospects of this business are attractive, considering the fact that India is grossly under-roomed even in comparison with some of its neighbours in East Asia.

Your Company, with the strength of its balance sheet, can contribute to the creation and sustenance of such capital intensive and long gestation infrastructure projects like hotels, so necessary to support rapid economic growth. The expanded ITC Welcomgroup chain, with competitively superior hoteliering expertise and its renowned array of branded cuisines is well poised to rapidly attain industry leadership.

c) Packaging and Printing

The Packaging and Printing Division continued to maintain its status as a premier supplier of high quality printed paperboard-based packaging for the FMCG industry, particularly for the premium packaging of cigarettes, liquor, foods and personal care products. The Division's Munger unit implemented a major modernisation project to support your Company's rapid transition to the higher value Hinged Lid form of packaging for its cigarette brands. In an acknowledgement of the Division's world class capability, its exports grew by over 35%, bagging the Capexil Special Export Award for the third consecutive year. The Division's enduring commitment to quality, innovation,

environment, occupational health and safety yet again earned it a slew of international awards and recognition, including the IQRS Level 6 rating, the Asia Star award for innovation in Packaging and the ISO 14001 accreditation for the Munger unit.

Drawing upon the strengths residing within the ITC Group in paperboards, printing and FMCG distribution, the Division launched its line of international quality greeting cards under the umbrella brand of Gold Flake EXPRESSIONS. Within a short span of six months, the "EXPRESSIONS" range of cards was available for consumers in over 7000 outlets in around 180 towns across the country. The cards feature designs from leading international and domestic design agencies. The Division entered into a licensing arrangement for designs with Simon Elvin Ltd., one of UK's leading greeting card publishers.

The size of the organised greeting cards market in India is estimated to be about Rs.300 crores, growing at the rate of 20% per annum. Given India's progressive cross-cultural exposure via the television and the Internet, and growing disposable incomes, a higher growth rate can be expected in the future. The Packaging Division's strategy of combining your Company's distribution strength with its capability to adapt its vast library of international designs to Indian tastes will strengthen the "EXPRESSIONS" brand and position the business to capture growth opportunities.

The Division's operations were dislocated for a period of two months as a result of a strike at its Tiruvottiyur factory in Chennai. The plant resumed operations from the third week of May 2001.

d) Speciality Papers

The Speciality Papers business, while registering improvements in productivity, quality and cost management, continues to be a source of concern in terms of its financial performance and its overall competitiveness. The management of this Division is engaged in addressing these challenges by focusing on creating further gains through productivity and technology upgradation. The Division continues to explore possibilities of international alliances and partnerships.

e) Agri Exports

Although Indian exports grew by over 20% during 2000-01, exports of agri and allied commodities declined in dollar terms for the third successive year in the context of persistent low international prices. It is therefore particularly heartening that your Company's agri exports grew by nearly 12% in rupee terms (Rs.362 crores against Rs. 324 crores last year) and 2% in dollar terms. This was made possible due to the Division's trend-setting customer-centric commodity trading model, structured along the lines of service industry. This model focuses on servicing the specific needs of a select portfolio of customers in identified product lines, chosen from markets with high growth potential. The Division's value proposition is anchored on well-designed knowledge management and training systems aimed at significantly enhancing its effectiveness in the strategically critical areas of supply chain efficiencies, risk management and customer relationships.

Project e-Choupal, a pioneering click and mortar initiative of the Division to link the Indian farmer with domestic and international markets, is being rapidly scaled up, with 235 choupals covering 1000 villages already operational in three chosen commodities, namely soya, coffee and aqua. This initiative will directly benefit the Indian farmers by enhancing their farm productivity through web-enabled access to appropriate information and inputs. These e-choupals will simultaneously help to reorganise the Division's supply chain for more cost effective sourcing.

In your Company's vision of the future, the agri exports business will play a critical role across two strategic dimensions: first, given the country's need to significantly boost agri exports, this Division has the potential to increase its revenues manifold; secondly, its network of inter-connected e-choupals across the country will create the transaction backbone to support a broadband two-way supply chain fulfillment capability to serve as another source of revenue in the future.

f) Lifestyle Retailing

Your Company's Lifestyle Retailing business opened its first exclusive retail outlet in South Extension, New Delhi in July 2000. Its international

quality shopping experience and world class product range, designed by the San Francisco based American Design Intelligence Group, have been well received by discerning customers. The Division is currently engaged in scaling up its operations to over 50 exclusive outlets across the country by March 2002. The Division is also engaged in garnering capabilities to create a world class supply chain from fibre to fashion. Towards this end, a state-of-the-art Master Facility is being set up at Gurgaon. The Master Facility, apart from providing design infrastructure, will also assist in dramatically shrinking time-to-market for the new designs. The Division's website, named after its key brand 'Wills Sport', provides customised online fashion consultancy through its module 'Fashion Guru'. The website was recently rated as the country's finest fashion site. It is the objective of this Division to establish 'Wills Sport' as an international quality, premium full range wardrobe brand for men and women, constituting relaxed wear for all occasions.

NOTES ON SUBSIDIARIES

a) ITC Hotels Limited

The Company earned a Gross Income of Rs.134.74 crores, representing a growth of 3% over last year, reflecting the sluggish market conditions prevalent during most of the year. The Company's Post-tax Profit at Rs.12.69 crores registered a growth of 6%. The Board of Directors of the Company has recommended a dividend of Re.1.00 per equity share for the year ended March 31, 2001 (previous year: Re.1.00 per equity share).

Foreign exchange earnings of the ITC Welcomgroup chain amounted to Rs.202 crores. This comprised direct earnings of Rs.84 crores from hotels owned by your Company, Rs.66 crores from ITC Hotels and Rs.52 crores from other properties of the ITC Welcomgroup chain.

The Company continues to strengthen its products and processes to support competitively superior value for the discerning traveller. The Company's continuing focus on upgrading the capability of its human resource, improving the quality of consumer experience, strengthening marketing and enlarging its distribution channels has enabled the ITC Welcomgroup chain to become the preferred choice of upmarket business travellers.



In an affirmation of the Company's world class standards in hoteliering, ITC Maurya Sheraton received the International Hotel Environment Initiative (IHEI) Award for being the global green hotelier of the year. Further, "Namaste", the Company's magazine, received the prestigious Golden Bell Platinum award at New York.

The Company continued to keep its hotels contemporary and competitive through the ongoing upgradation and refurbishment programme across the ITC Welcomgroup chain. The re-branding exercise initiated last year to effectively position the product and service offerings of the ITC Welcomgroup chain across its different segments of consumers was completed.

Consequent to preferential allotment of equity shares to financial institutions as part of the negotiated settlement of outstanding debt, the Company's equity holding in Ansal Hotels Ltd. reduced to 47.52% from 54.65%. Accordingly, Ansal Hotels Ltd., which had become a subsidiary of the Company with effect from 12th July, 2000, ceased to be so from 26th March, 2001.

b) ITC Bhadrachalam Paperboards Limited

The year 2000-01 was a year of turnaround for the Company, with a Post-tax Profit of Rs.34.89 crores, against a loss of Rs.32.12 crores last year. The turnaround was made possible by upgrading the product mix to high value paperboards of international quality, deriving economies of scale through effective technology absorption and full capacity utilisation of machines, and realising cost efficiencies through consistently high resource productivity and energy management. The 1.2 lakh tonne capacity paperboard machine presently operates at a capacity utilisation of 106%.

Despite the continuing oversupply in the paper industry, sales during the year increased to 204,649 tonnes (Rs.611 crores) from 179,715 tonnes (Rs.444 crores). The Company's products, benchmarked against the global best-in-class, have substantially substituted imported paperboards for premium packaging and value added graphic applications in the domestic market. Sales of value added products grew to 30,233 tonnes from 15,183 tonnes last year. Exports of the Company doubled from 19,896 tonnes (Rs.42.82 crores) last year to 39,228 tonnes

(Rs.94.41 crores), testifying to the international quality of the Company's products. These products now have a significant presence in Sri Lanka, Bangladesh, Malaysia, Iran and the United Arab Emirates. The Company has also made a recent entry into the Chinese and South African markets.

The Company continues to focus on expanding the market for high value added products by promoting their use for advanced functional and graphic end use applications in diverse industry segments. In order to exploit the increasing demand for coated boards and to improve efficiencies, the Company upgraded its first paper machine through the installation of a coater, backed by appropriate technology enhancements, at an outlay of Rs. 30 crores. The products of this machine have already been well received. Following the turnaround, the Company has now embarked upon a programme to modernise its pulp mill at an outlay of about Rs.227 crores. The Company's farm forestry programme, aimed at improving access to cost effective fibrous raw materials, made steady progress with the distribution of nearly 2.6 million high yielding disease resistant "Bhadrachalam" clonal saplings to growers in the command area of the mill. These initiatives are expected to further enhance the Company's international competitiveness in terms of quality, costs and environmental compliance.

The high cost debt substitution plan initiated in the previous year, with credit enhancement support of your Company, led to substantial savings in interest cost of over Rs.25 crores.

Given the quality of turnaround achieved by the Company and its strategy of enhancing its competitiveness through focused product development, sustained world class quality and cost management, your Company is confident that ITC Bhadrachalam Paperboards will emerge as a world class leader in the South Asian region in the paperboards segment.

c) ITC Infotech India Limited

In accordance with the approval of the shareholders received at the last Annual General Meeting, your Company restructured its Information Technology business into a wholly



owned subsidiary named ITC Infotech India Limited. This Company commenced operations in October 2000 with an equity contribution of Rs.10 crores from your Company. In May 2001, your Company also sold its entire holding in ITC Infotech Limited, U.K. to ITC Infotech India Limited with due approval from the Reserve Bank of India. Subsequent to the acquisition of ITC Infotech Limited, U.K., the Company acquired direct holding of the entire equity of ITC Infotech (USA) Inc. In order to strengthen its presence in the largest IT market in the world, the Company invested US\$ 2 million in the equity of its US subsidiary.

The Company seeks to leverage its accumulated domain knowledge with the aim of exploiting the significant global opportunities in the IT business. In pursuit of its key strategy of using offshore development to provide high quality software services to international clients, the Company set up its global development centre in Bangalore. This development centre is already among a select few IT units in the world to have earned the SEI CMM Level 5 certification, the highest quality accreditation for an IT company. The Company has created several centres of excellence in select high growth technologies, including the first Microsoft Centre of Excellence for e-commerce in South Asia. The Company continues to actively seek partnerships with industry leaders in various emerging technology areas in order to enrich its service offerings. Towards this end, it has concluded strategic alliances with Sun Microsystems, Microsoft Corporation and Parametric Technologies Corporation to acquire high-end technical competencies including those relating to e-business integration, collaborative content management, collaborative product commerce and Internet application servers.

Notwithstanding the recent slowdown in the US and European markets, your Company is confident that ITC Infotech India Limited, with its focused strategies and unique skill-sets, can rapidly build a leadership position in its chosen segments.

d) Russell Credit Limited

During the year the Company purchased 2,32,752 (0.77%) equity shares of ITC Hotels Limited and 37,31,467 (4.25%) equity shares of ITC Bhadrachalam Paperboards Limited.

The Company also made a counter offer at Rs.115 per equity share (subsequently raised to Rs.120) for acquiring 30,88,384 equity shares of Rs.10 each representing 20% of the outstanding equity share capital of VST Industries Limited as a competitive bid pursuant to a public offer made by an acquirer for a similar number of shares at Rs.112 per equity share (subsequently raised to Rs.118). This counter offer complies with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997.

e) Landbase India Limited

During the year under review, your Company acquired 70% of the equity capital in Landbase India Limited, which is engaged in the business of development and management of golf courses and resorts, and real estate development. As a result Landbase along with its eight subsidiary companies became subsidiaries of your Company. The eight subsidiaries were amalgamated with Landbase vide order of the Hon'ble High Court of Delhi passed on March 29, 2001 with retrospective effect from April 1, 2000 and were consequently dissolved without winding up.

The Company pioneered the development of world class golf resorts in the country by developing and managing the Classic Golf Resort near Gurgaon, which includes a 27 hole Jack Nicklaus signature golf course besides other resort and conferencing facilities. The resort is already a benchmark and has played host to several prestigious national and international golf tournaments.

The Company also developed a premium condominium complex called 'The Laburnum' in Gurgaon. The complex contains residential units, independent villas, penthouses and centrally air-conditioned apartments, constructed and maintained to the best world standards. 'The Laburnum' has been well received in the real estate market and is consistently rated among the best residential complexes in the country.

The Income of the Company for the year ended March 31, 2001 was Rs.19.51 crores. The Company, however, suffered a loss of Rs.17.4 crores primarily due to the interest burden arising from high cost contracted debt. Your Company supported a debt restructuring programme which will significantly reduce interest costs in the coming year.



Landbase proposes to leverage its acknowledged expertise to pursue proposals for construction and management of golf courses and residential complexes on turnkey basis across the country, which would be synergistic with your Company's leisure tourism business.

f) ITC Global Holdings Pte Ltd.

Since 8th November, 1996 the Judicial Managers have been conducting the affairs of ITC Global, in the interest of ITC Global's creditors under the authority of the High Court of Singapore.

The Judicial Managers have indicated to your Company that the outstanding dues of ITC Global to its creditors were likely to range between US\$ 48 million and US\$ 49.8 million (apart from the debt of approximately US\$ 9.9 million owed by ITC Global to ITC) and had sought your Company's financial support to ITC Global to enable it to settle with its creditors. Your Board does not accept any legal liability in this regard and has accordingly advised the Judicial Managers.

However, without prejudice, and with the intention of preserving goodwill of the international banking and other investing communities and thereby to subserve your Company's future business interests in a fast-globalising economy, your Company has proposed rendering financial assistance to the tune of US\$ 26 million to the Judicial Managers towards settlement of outstanding dues of ITC Global to its creditors. This would be subject to your consent and all necessary approvals from all Government and other authorities, both at Singapore, and in India, and also subject to concluding a comprehensive Agreement between your Company and the Judicial Managers in this regard, which is currently in process.

The High Court of Singapore had ruled that, "the Company (i.e. ITC Global) is not required to conduct any audit of the Company during the period of judicial management of the Company". As a consequence of the aforesaid Order, your Company cannot annex the audited accounts of ITC Global and its subsidiaries for the year ended 31st December, 2000, this position having also prevailed in the previous four years. Approval in this regard is awaited from the Central Government granting

exemption from the provisions of Section 212 of the Companies Act, 1956. Your Company shall, as soon as such accounts are received, circulate the same to the Members of the Company.

NOTES ON TRADE INVESTMENTS

a) Surya Tobacco Company (P) Limited

The gradual upturn in the Nepalese economy reflected in the cigarette industry in Nepal growing marginally after a decline by nearly 10% over the previous two years. The Company's performance for the year ended 15th July, 2000 reflected a 5% increase in Gross Turnover and a 19% increase in Profit after Tax. Dividend for the year was increased to 80%, compared to 50.4% last year. The Company's brands continue to occupy leadership positions in their respective segments, resulting in a value share of the cigarette industry of over 62%.

The Company continues to be the largest single private sector contributor to the Nepalese Exchequer, accounting for 4% of the total revenues collected by His Majesty's Government.

b) Real Estate

Your Company believes that it can develop its real estate assets over time and redeem its investments. Towards this end, the requisite organisation and management skills were set up with your Company's support. Architects of international repute were also appointed to assist in formulating development plans. The plans for development of a premium township have been finalised. However, the launch of the project will need to await an upturn in the real estate market.

c) ITC Filtrona Limited

The Company continues to support the Indian cigarette industry in its process of transition in filter usage from viscose to acetate. As a result, despite difficult trading conditions, the Company posted a volume growth of 36%. Consequently, the market share improved to 55% by value in the domestic filter market.

Gross turnover for the year at Rs. 67.2 crores, grew 13% over last year. Improvements in resource productivity led to a healthy growth of 40% in



operating profits (Profit before Interest and Tax) to Rs.6.2 crores. The Board of Directors of the Company has recommended a maiden dividend of 25%.

The Company continues its focus on solutions and support to the Indian cigarette industry in its endeavour to provide value added products to consumers.

AUDIT AND SYSTEMS

Your Company remains committed to ensuring an effective internal control environment that provides assurance on the efficiency of operations and security of its assets. In the context of the growing complexity of the business environment, the Internal Audit function focuses on ensuring adequacy of risk management policies and systems to pre-emptively and effectively manage risk.

The adequacy and effectiveness of the internal control environment across the various businesses, as well as compliance with laid down systems and policies are comprehensively monitored by your Company's well established internal audit processes, both at divisional and corporate levels. The Internal Audit function also reviews the execution of all ongoing projects involving significant expenditure to ensure that controls on deployed resources are adequate. All major IT-enabled business applications are regularly validated for their integrity of design, security and access controls, and quality of functionality by the internal audit teams, which are well trained in contemporary audit techniques and methodologies.

The Audit Committee of your Board met eight times during the year. It actively engaged in reviewing internal control systems, as well as financial disclosures. Monitoring the implementation of internal audit recommendations received focused attention of the Committee.

HUMAN RESOURCE DEVELOPMENT

Human capital is one of the key elements of sustainable competitive advantage and shareholder value creation. Your Company's human resource philosophy aims at nurturing an organisational culture that respects people, empowers and enables them to deliver high quality performance and rewards talent with competitively superior

compensation and accelerated career growth opportunities. Your Company values in its people integrity, excellence and the passion to achieve.

In the multi-business context of your Company, general management capabilities are required not just at the apex level but also at the level of each business division. At the same time the imperatives of a globalising market demand that each of the businesses benchmarks itself against the global best-in-class, which requires high levels of functional specialism. The challenge of human resource development in your Company therefore is to address the need for deep functional specialism, while at the same time developing breadth of leadership. This mix of capabilities is sought to be achieved: (a) through a well developed appraisal system that clearly identifies the development path for each manager based on performance and potential, and (b) by leveraging ITC's multi-business context to blend skills and competencies through cross-functional and cross-business exposures.

Your Company fosters continuous learning and innovation. It is of the belief that only a learning organisation can survive and grow in a knowledge-centric, fast globalising business environment. Each of your Company's businesses has developed knowledge management systems appropriate to its own unique requirements. This emphasis on internal knowledge management processes enables your Company to keep its competencies contemporary, whilst at the same time creating exciting development opportunities for its people.

The spirit of trust, transparency and teamwork has enabled your Company to build a tradition of partnership and harmonious industrial relations. The commitment to a shared purpose has led to enhanced productivity, internationally benchmarked quality, as well as fulfillment of employee aspirations.

Your Directors record their sincere appreciation of the dedicated efforts put in by over 11,000 employees working across 60 locations.

ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY

Your Company continues to accord the highest priority to Environment, Occupational Health and Safety (EHS). The EHS team audits all units of your



Company with a view to progressively achieving international standards, while ensuring compliance with statutory requirements.

The Legal and Safety Audit Committee of your Company's Board reviews the findings of EHS audits and monitors compliance with prescribed policies. As part of the review process, members of this Committee periodically visit the Company's operating units across the country. In order to raise EHS awareness and improve standards, a number of employee training programs were conducted across all units of your Company.

In recognition of your Company's EHS initiatives, several awards continue to be conferred on its units, as detailed earlier in this Report.

EXCISE

In the Report & Accounts of the last fourteen years, your Directors had mentioned that, consequent upon a search and seizure conducted by the Excise Authorities, a Show Cause Notice dated 27th March, 1987 was issued to your Company for alleged evasion of Excise Duty during the period from 1st March, 1983 to 28th February, 1987. The charge was based on the premise that your Company allegedly colluded with retailers in selling cigarettes at a price higher than that printed on the package, which was the basis of levying duty during the aforesaid period. Your Company and its contract manufacturers were therefore asked to Show Cause as to why they should not be required to pay duty at the higher slab corresponding to the actual price alleged to have been charged by the retailers, amounting to an unprecedented sum of Rs. 803.78 crores besides other penalties in law.

The hearing of the Show Cause Notice proceeded before the Commissioner of Central Excise, Delhi, who, by an Order dated 29th December, 1995 confirmed a differential excise duty Demand of Rs. 681.54 crores against your Company and also levied a penalty of Rs. 66.50 crores on it. Personal penalties aggregating to Rs. 3.15 crores were also imposed on six ex-Directors of your Company. The Commissioner also confirmed a Demand of Rs. 118 crores on seven contract manufacturers of your Company and levied penalties on them aggregating to Rs. 7 crores.

Your Company preferred an Appeal to the Customs Excise and Gold (Control) Appellate Tribunal (CEGAT) against the Commissioner's Order dated 29th December, 1995 as also an Application for dispensing with the pre-deposit of the differential duty amount of Rs. 681.54 crores and penalty amount of Rs. 66.50 crores, and for stay. Similarly, all six ex-Directors of your Company, as well as the contract manufacturers, preferred Appeals to the CEGAT as also Applications for waiver of pre-deposit of the differential duty and penalty amounts, and for stay.

In respect of the contract manufacturers the CEGAT directed that the pre-deposit of the entire amounts of differential duty and penalty should be dispensed with in their case. In the case of the six ex-Directors also directions for dispensing with the pre-deposit of the penalties were given by the CEGAT.

Further, by its Order dated 15th March, 1996 the CEGAT directed your Company to deposit Rs. 110 crores on or before 30th April, 1996 and a further amount of Rs. 240 crores in eight equal monthly instalments commencing 1st June, 1996. The requirement of pre-deposit of the balance differential duty amount of Rs. 331.54 crores and the entire penalty amount of Rs. 66.50 crores was waived, subject to the conditions regarding payment of instalments as indicated above and also furnishing of Bonds. In compliance with the above Order of the CEGAT, your Company deposited with the Excise Collectorates having jurisdiction over five factories of your Company, a total amount of Rs. 350 crores, and also furnished a Bond as directed.

Thereafter, the CEGAT heard the appeals between February and May 1998, and by its Order dated 4th September, 1998 :-

- set aside the demand of differential excise duty on the contract manufacturers of ITC
- set aside the penalties imposed on ITC, six of its ex-Directors and its contract manufacturers
- set aside the quantification of the excise duty demand on ITC and
- remanded the matter to the Adjudicating Authority for fresh quantification of duty



demand on ITC in accordance with the guidelines provided in the Order and after giving ITC an opportunity of personal hearing.

Since your Company believes that it has no legal liability to pay any differential excise duty, and the Order of the CEGAT is, therefore, unsustainable in law, the Company filed an Appeal in the Supreme Court. The Excise Department also filed Appeals challenging the CEGAT's Order. At the admission stage, the Supreme Court, on 15th January, 1999 passed an Order to the following effect :-

- a) The Appeal filed by the Company against CEGAT's Order holding the Company liable for differential duty has been admitted.
- b) The Appeal filed by the Excise Department in respect of the Company has been admitted; adjudication proceedings for fresh quantification of differential duty in accordance with CEGAT's Order may continue, but no orders pursuant to such proceedings shall be passed without the leave of the Supreme Court.
- c) Excise Department's appeals in respect of contract manufacturers have been admitted only on the limited question of their liability, if any, upto six months preceding the Show Cause Notice.
- d) Excise Department's appeals challenging the quashing of penalties imposed on the former Directors have been dismissed.

A few days before the CEGAT passed its Order on 4th September, 1998 the Excise Department filed criminal complaints on 30th August, 1998 in the Economic Offences Courts at Meerut, Bangalore, Mumbai, Patna and Kolkata against the Company and the six ex-Directors on the basis of Order of the CCE, Delhi dated 29th December, 1995. These prosecutions are being contested by your Company and the individuals.

On applications moved by the ex-Directors, the proceedings before the Bangalore, Kolkata and Meerut Courts have been stayed by the High Court of Karnataka, the High Court of Calcutta and the Allahabad High Court respectively.

Prior to March, 1983, duty on cigarettes was on ad valorem basis. In the light of the decision of the Supreme Court in the case of Voltas in the year 1973,

your Company filed Price Lists for cigarettes manufactured at its various factories claiming abatement of certain Post-Manufacturing Expenses (PME). As disputes arose as to the maintainability of the claim for abatement of PME made by the Company, the Price Lists were approved on a provisional basis. During the period 1975 to 1985, various Show Cause Notices were issued in respect of Bangalore, Saharanpur and Munger factories of the Company alleging inter alia that additional margins were given by the Company to the wholesale dealers to meet certain expenses which should form part of its price to the wholesale dealers. All such Show Cause Notices were assigned to the Director General of Inspection, Customs & Central Excise, New Delhi ('DG') who passed his Order on 10th April, 1986. Although the differential duty payable under the DG's Order was determined on an admitted interpretation of Rule 5 of Central Excise (Valuation) Rules (which interpretation has since been upheld by the CEGAT and affirmed by the Supreme Court), the Excise Department raised doubts on such interpretation and issued revised demands under the DG's Order, in respect of Bangalore, Munger and Saharanpur factories. The Bangalore demand for Rs.27.58 crores was set aside by the Commissioner (Appeals), Bangalore, by his Order dated 22.11.99 against which the Department has filed an Appeal in CEGAT, Chennai. The Saharanpur demand of Rs.80.30 crores was confirmed by the Commissioner (Appeals) to the extent of Rs.76.03 crores against which your Company has filed an Appeal before CEGAT, Delhi, which is pending. Since your Company had to make a pre-deposit of Rs.20 crores for hearing of its Appeal by the Commissioner (Appeals), CEGAT has stayed recovery of the balance amount of Rs.56.03 crores pending disposal of your Company's Appeal before it. The revised demand of Rs.8.29 crores in respect of Munger factory is pending adjudication before the Commissioner, Patna.

As mentioned in the Report of the Directors for 1987 and thereafter, the Excise Department, during 1987 and 1988, again reopened some of the issues already settled by the Order of the DG, by issuing fresh Show Cause Notices in respect of the period upto 28th February, 1983. The Notices proposed to recover differential duties of Rs.43.88 crores (for Munger factory), Rs.143.22 crores (for Bangalore



factory), Rs.31.05 crores (for Kidderpore factory), Rs.41.51 crores (for Parel factory) and Rs.26.43 crores (for Saharanpur factory). All these Notices were assigned to the Commissioner of Central Excise, Delhi, for investigation and adjudication. Your Company has, apart from denying any liability as claimed in the Notices, challenged the maintainability of all these Show Cause Notices. On an appeal filed by your Company against an Order of the Commissioner, rejecting the Company's contentions on the issue of maintainability, the CEGAT, Chennai, by its Judgement dated 13th January, 2000 upheld the contention of your Company and has set aside the Bangalore Show Cause Notice for Rs.143.22 crores with the direction, inter alia, that the allegations made therein should be considered by the Assessing Authority while finalising the assessments in respect of the Bangalore factory, which has been your Company's contention all along. By an order dated 21st July, 2000, the Supreme Court has admitted the appeal of the Department and stayed the order of CEGAT, Chennai. Your Company's Appeals against similar Orders relating to the Show Cause Notices issued in respect of Munger and Parel factories are pending before CEGAT, Kolkata and Mumbai respectively. As regards the Show Cause Notice in respect of Saharanpur factory, your Company has filed a Writ Petition in the Delhi High Court which is pending. In accordance with the law laid down by the CEGAT on interpretation of Rule 5 of the Central Excise Valuation Rules, and upheld by the Supreme Court, the exorbitant amounts set out in the pending Show Cause Notices referred to above would stand virtually extinguished. In fact while the Company's appeal against the show cause notice relating to Parel factory for Rs.41.51 crores is pending before CEGAT, Mumbai, the Commissioner of Central Excise Delhi by his order dated 29th December, 2000 has confirmed the demand for Rs.5.96 crores or such higher or lower amount as may be redetermined by the jurisdictional officer. By the same order the liability of the two contract manufacturers were roughly determined at Rs.83 lakhs and Rs.41 lakhs as against the differential duty of Rs.6.65 crores and Rs.2.89 crores respectively proposed in the said show cause notice. Your

Company and also the contract manufacturers have, however, filed separate appeals in CEGAT, Mumbai against the said order of the Commissioner along with applications for stay which are pending.

So far as the Kidderpore factory is concerned the Notices were set aside and all pre-March 1983 valuation disputes stand resolved pursuant to the finalisation of the provisional assessments.

As mentioned in the Report of the Directors in earlier years, the Excise Authorities were also persisting with two more Notices, issued in 1983 and 1984 for a total sum of Rs.57.66 crores by the Parel Authorities on the question of treatment of Security Deposit for excise valuation, in spite of this issue having been concluded by the Order of the DG. By an Order dated 30th September, 1999, the Commissioner of Central Excise, Delhi has confirmed the demand in respect of these two Notices for only Rs.75.27 Lakhs which amount has to be adjusted with the equivalent amount already paid by your Company pursuant to the DG's Order. By the said Order, a penalty of Rs.5 lakhs has also been imposed on your Company. Your Company has filed an Appeal before CEGAT, Mumbai against the said Order dated 30th September, 1999.

As reported in the 1997 Report of the Directors, the Commissioner of Central Excise, Delhi, had directed the Departmental Authorities to finalise the assessments in respect of Bangalore, Parel and Munger for the pre-March 1983 period. The purported Order of finalisation of assessments dated 15th January, 1998 relating to the Bangalore factory for Rs.23.82 crores was challenged before the Commissioner (Appeals), Bangalore, who, by his Order dated 20th November, 1999 allowed the Company's Appeal and remanded the matter for de novo adjudication setting aside the impugned Order. Similar Orders of finalisation of assessments were also passed by the Departmental Authorities in respect of the Munger and Parel factories, and differential duty of Rs. 9.28 crores and Rs. 1.38 crores were demanded respectively. Your Company's Appeals against the said Orders of finalisation of assessments of Munger and Parel factories have been disposed of by remanding the matters for fresh hearing. While de novo proceedings for finalisation of assessments have commenced relating to



Bangalore and Munger factories, the Deputy Commissioner of Central Excise, Mumbai I by his order dated 22nd September, 2000 has finalised the assessments filed relating to Parel factory between 1st March, 1973 and 28th February, 1983. In terms of the said Order, a sum of Rs.87.83 lakhs is shown to have been paid in excess upon adjustment of duty liability for the said period.

As mentioned in the Report of the Directors in earlier years, a fresh Show Cause Notice was issued by the Assistant Commissioner of Central Excise, Bangalore, for recovery of alleged differential duty of Rs.83.19 lakhs on account of Freight Administration Charges even though the Superintendent of Central Excise, Bangalore, had earlier raised a demand dated 29th May, 1997 for Rs.1.08 crores on account of the same. The Commissioner (Appeals), Bangalore, by his Order dated 28th July, 1999 has held that the earlier demand of Rs.1.08 crores stands superseded by the subsequent Show Cause Notice, which is being contested by your Company, since all liability on account of Freight Administration Charges has already been discharged by your Company.

Although your Company in a spirit of settlement, paid the differential Excise Duty that arose out of the Order of the Director General as early as in March 1987, and although the Excise Department's aforesaid Demands had either been quashed or stayed, the Collectorates in Meerut, Patna and Bangalore, during the year 1995, filed criminal complaints in the Special Court for Economic Offences at Kanpur, Patna and Bangalore, charging your Company and some of its Directors and employees who were employed with your Company during the period 1975 to 1983 with offences under the Central Excises & Salt Act, 1944, purportedly on the basis of the Order of the Director General dated 10th April, 1986. Your Directors are advised that no prosecution would lie on the basis of the aforesaid Order of the Director General dated 10th April, 1986. In fact, the Special Court in Kanpur, which initially took cognisance of the complaints, subsequently, on applications filed by the individuals concerned, discharged them. Similar applications were filed by the individuals in the Special Court in

Patna, which are pending. On applications moved by the individuals concerned, the proceedings before the Magistrate Court, Bangalore have been stayed by the Karnataka High Court.

The Collector of Central Excise, Bangalore had issued a Show Cause Notice and after adjudication a Demand Notice was received on 12th August, 1988 for Rs. 2.4 crores, including a penalty of Rs. 1.2 crores, on account of alleged variation from the approved surface design of one of your Company's brand packs. On Appeal, the CEGAT, Delhi, passed an Order effectively bringing down the duty liability to Rs.1.5 lakhs and the penalty to Rs.1 lakh. In the opinion of your Directors even this Order is unsustainable. Your Company, therefore, filed an Appeal in the Supreme Court against the above Order, which was admitted and is now pending. While the appeal before CEGAT was pending, the Department filed a criminal complaint against the Company and some of its Directors and Managers before the Magistrate Court, Bangalore and the same is pending.

In all the above instances, your Directors are of the view that your Company has a strong case and the Show Cause, the Demand Notices and the Complaints are not sustainable.

Since your Company is contesting the above cases and contending that the Show Cause, the Demand Notices and the Complaints are not sustainable, it does not accept any liability in this behalf. Your attention is drawn to the Note 18 (v) in the Schedules to the Accounts.

RECOVERY OF DUES FROM THE CHITALIAS AND ENQUIRY BY THE ENFORCEMENT DIRECTORATE

You are aware that your Company had obtained from the District Court of New Jersey, U.S.A., a Decree for U.S. \$ 12.19 million against Suresh and Devang Chitalia of U.S.A. and that the Chitalias had filed Bankruptcy Petitions before the Bankruptcy Court, Orlando, Florida, which are being contested by your Company.

As detailed in the Report of the Directors last year, in the Florida Bankruptcy Court proceedings, the Chitalias had made an Offer proposing that they would submit to a judgment of the Bankruptcy



Court disallowing their applications to be discharged as bankrupt provided your Company was willing to withdraw its objections to their claims for exemption of some of their assets. Since your Company was advised by its U.S. Counsel that a large part of the Chitalia claims for exempted assets was not legally sustainable, the Chitalia Offer was rejected.

Subsequently, Chitalias made a Second Offer of Judgment in which they scaled down their claims of exempted assets. Consequently, your Company's U.S. Counsel recommended that the Chitalia Offer be accepted since, under the U.S. law, they would be entitled to the remaining exemptions. Based on the Counsel's advice, your Company accepted the Offer and the Bankruptcy Petitions of the Chitalias were disallowed by the Florida Bankruptcy Court, thereby defeating the objective of the Chitalias to get themselves discharged as bankrupt.

The Bankruptcy proceedings before the Florida Court are, however, continuing for the purpose of collecting and distributing the property of the bankrupt estate and your Company's efforts for recovery of its dues against the Chitalias will continue.

Meanwhile, the process of inspection of the voluminous documents relating to the Show Cause Notices by the Company and the concerned individuals is on.

TAXATION

As mentioned in the Report of the Directors for the last three years, your Company had obtained stay orders from the Hon'ble Calcutta High Court in respect of the notices served by the Income Tax Department for re-opening the past assessments for the period 1st July, 1983 to 30th June, 1986. This status remains unchanged.

As also stated in the Report of the Directors for the last three years, in respect of similar notices from the Income Tax Department for re-opening the past assessments for the period 1st April, 1990 to 31st March, 1993, the Hon'ble Calcutta High Court had admitted the Writ Petition and ordered that no final assessment orders be passed without the leave of the Court. This status also remains unchanged.

FINANCE AND ACCOUNTS

Public Deposits

As at March 31, 2001 your Company had Fixed Deposits of Rs. 84.52 crores. No fresh / renewal of deposits were accepted during the financial year. During the year, deposit holders whose deposits had matured were paid the interest due to them. Repayments of deposits were made to depositors as and when claimed. Reminders have been sent to 1840 persons who did not claim repayment of their deposits which had become due, amounting to Rs.188.96 lakhs.

There was no failure to make repayments of fixed deposits on maturity in terms of the conditions of your Company's Schemes. The cases of fraudulent encashments as reported in previous years, continue to be under investigation by the police authorities.

INVESTOR SERVICE CENTRE

The Investor Service Centre (ISC) of your Company continues to provide efficient and high quality service through a trained and dedicated team of professionals supported by state-of-the-art infrastructure. Your Company's website has a section on 'Investor Relations' which provides comprehensive information on share related activities carried out by the ISC, and also serves as a user-friendly online reference guide for investors.

The shares of your Company are available for trading under both the Depository Systems in India, namely the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

DIRECTORS

Shri Biswadev Mitter, Wholetime Director, retired from the services of your Company with effect from close of business on 7th March, 2001.

Shri Kumbakonam Padmanabha Narasimhan, who represented the Life Insurance Corporation of India, resigned as Non-Executive Director of your Company with effect from 25th October, 2000. Shri Tapan Ganguli ceased to be a Non-Executive Director of your Company with effect from 17th January, 2001, as a consequence of IFCI Limited advising your Company of its fresh nomination.



Your Directors would like to record their appreciation of the services rendered by Sarvashri Mitter, Narasimhan and Ganguli.

Dr. Basudeb Sen continues to be on the Board of Directors of your Company as a Non-Executive Director. However, he ceased to be a representative of the Unit Trust of India with effect from 28th July, 2000.

Shri Krishnamoorthy Vaidyanath was appointed by the Board of Directors as Additional Wholetime Director of your Company with effect from 17th January, 2001.

Shri Brij Gopal Daga was appointed by the Board of Directors as Additional Non-Executive Director of your Company with effect from 28th July, 2000, as a representative of the Unit Trust of India. Shri Yesh Pall Gupta was also appointed by the Board of Directors as Additional Non-Executive Director of your Company with effect from 25th October, 2000, as a representative of the Life Insurance Corporation of India.

IFCI Limited appointed Shri Avinash Chander Ahuja as its nominee on the Board of Directors of your Company with effect from 17th January, 2001.

Shri Yogesh Chander Deveshwar was re-appointed as Wholetime Director and Chairman of your Company with effect from 20th July, 1999 for a period of three years. His present term of appointment will expire on 19th July, 2002. The Board of Directors, anticipating that Shri Deveshwar's current term may expire before the Annual General Meeting in 2002, and considering that there should be no period of the Chairman's appointment which is not covered by the Members' approval, at its meeting held on 30th May, 2001, recommended for the approval of the Members, his re-appointment as Wholetime Director and Chairman of the Company, liable to retire by rotation, from 20th July, 2002 for a further period of five years or up to the date of his retirement as per the Rules of the Company, whichever is earlier.

Shri Antonio Americo de Figueiredo Rodrigues was appointed as Non-Executive Director at the Annual General Meeting of the Company held on 12th August, 1998, for a period of three years and his present term of appointment will expire on 11th August, 2001. The Board of Directors of your Company at its meeting held on 30th May, 2001

also recommended for the approval of the Members, his re-appointment as Non-Executive Director of the Company, liable to retire by rotation, for a further period of five years with effect from 12th August, 2001.

Notices have been received from Members of the Company under Section 257 of the Companies Act, 1956 for the re-appointment of Sarvashri Deveshwar and Rodrigues as Directors of the Company. Appropriate resolutions seeking your approval to their re-appointments are appearing in the Notice convening the 90th Annual General Meeting of the Company.

By virtue of the provisions of Article 96 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956, Shri Vaidyanath, Additional Wholetime Director and Sarvashri Daga and Gupta, Additional Non-Executive Directors, will vacate office at the ensuing Annual General Meeting of your Company and have filed their consent to act as Directors of the Company, if appointed. The Board of Directors of your Company at its meeting held on 30th May, 2001 recommended for the approval of the Members, the appointment of Shri Vaidyanath as Wholetime Director of your Company, liable to retire by rotation, with effect from 17th January, 2001 for a period of five years or up to the date of his retirement as per the Rules of the Company, whichever is earlier. The Board of Directors at its aforesaid meeting also recommended for the approval of the Members, the appointments of Sarvashri Daga and Gupta as Non-Executive Directors of your Company, liable to retire by rotation, for a period of five years from the date of the ensuing Annual General Meeting of the Company.

Notices have also been received from Members of the Company under Section 257 of the Companies Act, 1956 for the appointment of Sarvashri Vaidyanath, Daga and Gupta as Directors. Appropriate resolutions seeking your approval to their appointments are appearing in the Notice convening the 90th Annual General Meeting of the Company.

Shri Nigel Timothy Gourlay was appointed by the Board of Directors of your Company as Alternate Director to Shri Charles Richard Green with effect from 23rd March, 2001.



In accordance with the provisions of Article 91 of the Articles of Association of the Company, Sarvashri Antonio Americo de Figueiredo Rodrigues, Yogesh Chander Deveshwar and Pillappakkam Bahukutumbi Ramanujam will retire by rotation at the ensuing Annual General Meeting of your Company and being eligible, offer themselves for re-appointment. Your Board of Directors has also recommended their re-appointment.

AUDITORS

The Auditors, Messrs. A. F. Ferguson & Co., retire at the ensuing Annual General Meeting of your Company and, being eligible, offer themselves for re-appointment. Since not less than 25% of the subscribed share capital of your Company is held collectively by Public Financial Institutions, the re-appointment of Auditors is being proposed as a Special Resolution in accordance with Section 224A of the Companies Act, 1956.

EMPLOYEE STOCK OPTION SCHEME

The Members of the Company had, at the Extraordinary General Meeting held on 17th January, 2001, approved the introduction of an Employee Stock Option Scheme for eligible employees of the Company and of its subsidiary companies, as the Board of Directors of your Company may decide. Options for the financial year ended 31st March, 2001 are expected to be granted to employees in accordance with the provisions of the Scheme. Accordingly, the disclosure required under clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, in this regard will be covered in the Report of the Directors from next year.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act, 1956, your Directors have:

- a) followed in the preparation of the Annual Accounts, the applicable accounting standards with proper explanation relating to material departures;
- b) selected such accounting policies and applied them consistently and made judgements and

estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period;

- c) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- d) prepared the Annual Accounts on a going concern basis.

OTHER INFORMATION

The certificate of the Auditors, Messrs. A. F. Ferguson & Co. confirming compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement of the Stock Exchanges in India, is annexed. Particulars as required by Section 217(1)(e) of the Companies Act, 1956, relating to Conservation of Energy and Technology Absorption are also provided in the Annexure to this Report together with particulars of Employees as required under Section 217(2A) of the Companies Act, 1956.

CONCLUSION

Your Company continues to consolidate its leadership position in its core businesses through value addition to products and services, and progressively gaining international competitiveness in quality and cost standards. Each business is focused on leveraging its core competencies to build shareholder value and all indications are that your Company's performance track record will be sustained.

Your Directors look forward to the future with confidence.

30th May, 2001
Virginia House
37 Chowringhee
Kolkata 700 071
India

On behalf of the Board

A. SINGH *Director*
K. VAIDYANATH *Director*



ANNEXURES TO THE REPORT OF THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001

CERTIFICATE OF COMPLIANCE FROM AUDITORS AS STIPULATED UNDER CLAUSE 49 OF THE LISTING AGREEMENT OF THE STOCK EXCHANGES IN INDIA

CERTIFICATE

To the Shareholders,

We have examined the compliance of conditions of Corporate Governance by I.T.C. Limited for the year ended on 31st March, 2001, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2001, no investor grievances are pending against the company as per the records maintained by the company and presented to the Investor Services Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For A. F. Ferguson & Co.
Chartered Accountants

A. K. Mahindra
Partner

Kolkata, 30th May, 2001

CONSERVATION OF ENERGY

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT

A) POWER AND FUEL CONSUMPTION

		For the Year ended 31st March, 2001	For the Year ended 31st March, 2000
a) Energy conservation measures taken :	Relating to speciality paper		
i) Installation of energy management systems and energy cost reduction programme undertaken.	1. Electricity (Excluding Consumption in Colony)		
ii) Installation of variable frequency drives to motors continued.	a) Purchased		
iii) Use of low calorific value/heavy fuels for power and steam generation.	Unit (KWH) in Lakhs	157	159
	Total Amount (Rs. in Lakhs)	6.28	6.53
	Rate/Unit	3.99	4.09
b) Additional Investment and Proposals, if any, being implemented for reduction of consumption of energy:	b) Own Generation		
i) Carrying out of specific audits to reduce power consumption.	i) Through Diesel Generation Unit	Nil	Nil
ii) Enhance effective utilisation of available steam and power by installation of higher capacity energy efficient turbine and equipment.	Unit per Litre of Diesel Oil	N.A.	N.A.
iii) Optimisation of power utilisation through synchronisation and improved distribution system.	Cost/Unit (Rs.)	N.A.	N.A.
c) Impact of measures of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:	ii) Through Steam		
Energy conservation measures have resulted in savings in energy costs of the Company.	Turbine/Generator		
	Units (KWH) in Lakhs	405	405
	Units per Kg. of Coal	0.89	0.96
	Cost/Unit (Rs.)	1.59	1.57



2. Coal (Specify Quantity & Where Used)
B/C/D/E/F Grade Coal Used

	For the year ended 31st March, 2001			For the year ended 31st March, 2000		
	Process	Power	Total	Process	Power	Total
Quantity (M.T.)	28484	45463	73947	29396	42009	71405
Total Cost (Rs. in Lakhs)	—	—	1057	—	—	1079
Average Rate (Rs. per M.T.)	—	—	1429	—	—	1511

3. Furnace Oil

Quantity (K. Litres)	Nil	Nil
Total Amount	N.A.	N.A.
Average Rate	—	—

4. Others/Internal
Generation

Quantity	—	—
Total	—	—
Rate/Unit	—	—

B) CONSUMPTION PER UNIT OF PRODUCTION

	For the Year ended 31st March, 2001	For the Year ended 31st March, 2000
Products (Paper in MT)	19122	18841
Electricity (KWH)	2940	2995
Coal B/C/D/E/F Grade (M.T.)	1.49	1.56

TECHNOLOGY ABSORPTION

INFORMATION UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT

Research and Development

1. Specific areas in which R&D was carried out by the Company :

- Retention improvements of fibres and fillers on all paper machines with the help of a structured retention programme.
- Identification of technology for upgrading process water quality in terms of softening water for use in paper making.
- Modification of major nutrient levels for improving tobacco yields and application of environmentally friendly green manuring systems.
- Extension of energy saving systems in leaf tobacco curing.
- Extension of new varieties of tobacco seeds for productivity and quality enhancements.

2. Benefits derived as a result of the above R&D :

- Cost effective imported pulps were identified and introduced in the product finish.
- Improved product quality of alkaline sized Fine Printing papers.

- Improvement in cigarette tissue quality leading to opening up of export markets.
- Continuation in the upgradation of technology relating to conservation of wood fuel and other natural sources resulting in reduced cost of cultivation to farmers.
- Extension of yield improvement and quality of tobacco resulting in higher returns to the farmers and availability of flavoured tobaccos for export and domestic.
- Adaptation of nutrient regime to suit Indian conditions for improved yield and quality of leaf tobacco.

3. Future Plan of Action :

- Implement water quality upgradation by softening water used for paper making.
- Achieve superior product quality of Fine Printing papers required for special printing applications.
- Construction of a Master Facility for developing fabric and garment designs and finishes.
- Extension of environment friendly green manuring practices.
- Development of nature identical compounds for enhancement of smoke quality.
- Development of foliar application of growth enzymes for tobacco crop.

4. Expenditure on R&D :

	For the year ended 31st March, 2001 (Rs. in Lakhs)
i) Capital	356.17
ii) Recurring	606.90
iii) Total	963.07
iv) Total R&D Expenditure as a % of total turnover	0.11

Technology Absorption, Adaptation and Innovation

- Refining system upgrade on all paper machines with input from an overseas expert.
- Retention improvements on PM 4 resulting in successful manufacture of Decor paper with high level of retained titanium dioxide.
- Developed low temperature, heat sealable BOPP film, suitable for light wrap/wrinkle free wrapping of cigarette packs.
- Two state-of-the-art Tobacco processing lines were installed and commissioned.

Benefits Derived :

- Greater market acceptance of key speciality products such as Fine Printing papers and Decor grades.
- Greater acceptance of Indian leaf tobacco in international markets.
- Reduction in production costs and energy conservation in leaf processing.

On behalf of the Board

A. SINGH Director

K. VAIDYANATH Director

Kolkata, 30th May, 2001



ANNEXURES TO THE REPORT OF THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001

Particulars of Employees under Section 217 (2A) of the Companies Act, 1956 and forming part of the Directors' Report

Name	Age	Designation/ Nature of Duties	Gross Remu- neration Rs.	Qualifications	Experi- ence (Years)	Date of Commence- ment of Employment	Previous Employment/ Position Held
1	2	3	4	5	6	7	8
Employed throughout the year and in receipt of remuneration aggregating Rs. 12,00,000/- or more.							
Ahmad S.M.	47	Exec. V.P., Marketing (ITD)	20,32,738	B.A., M.A.	24	06.03.1980	ANZ Grindlays Bank Plc.
Ahmed O.	50	G.M. Product Dev. (ITD)	18,84,331	B.Tech. (Hons.)	28	15.11.1972	TISCO Ltd., Grad. Engineer
Balaji L.N.	39	Corp. Plans Mgr.	12,97,846	B.Com.(Hons.), A.C.A.	16	17.06.1985	Nil
Bandyopadhyay S.	36	Mgr. Investments	13,66,516	B.Com.(Hons.), I.C.W.A., A.C.A.	15	17.05.1989	ICI (I) Ltd., Asst. Mgr. Accounts
Banerjee P.	48	Exec. V.P., Funds & Planning	19,06,518	B.Sc., M.Sc., F.C.A., F.I.C.W.A.	21	01.10.1982	Shaw Wallace & Co. Ltd., Financial Accountant
Banerjee A.R.	44	Mgr. - Finance & Planning (ITD)	12,31,471	B.A. (Hons.), M.A.(Econ.), M.B.A. (U.S.A.)	18	15.02.1985	Golden Gate Univ., Scheduling & Events Asst.
Basu Asit Kumar	50	V.P. Information Tech.	13,52,745	B.E., M.Tech.	27	12.01.1976	Tata Consultancy Services, Asst. Systems Analyst
Basu Shekhar	49	Exec. V.P. & Corp. Chief Accountant	20,00,917	A.C.A., F.C.A. (Eng. & Wales)	31	02.01.1978	Whinney Murray & Co., London, Audit Asst.
Biswas S.	51	G.M. Marketing (IBD)	12,46,545	B.Com., L.M.E.	30	01.04.1971	Nil
Chand A.	36	District Mgr. (TM) (ITD)	12,86,824	B.A., M.B.A.	13	01.06.1988	Godfrey Philips (I) Ltd., Mktg. Exec.
Chatterjee B.B.	48	Exec. V.P. & Co. Secretary	23,68,024	B.Com.(Hons.), F.C.A., F.C.S., LL.B.	23	16.05.1983	Wacsgen, Deputy Mgr.
Chatterjee P.	51	Exec. V.P. Internal Audit	19,12,659	B.Com.(Hons.), F.C.A.	29	16.09.1974	MacNeil & Barry Ltd., Accountant
Dar H.	37	Brand Group Mgr. (ITD)	12,43,046	B.Com.(Hons.), M.B.A.	14	01.07.1987	Nil
Das C.S.	45	SBU Chief Exec. (GCB)	13,17,820	B.Tech.(Hons.), M.B.A.	21	15.04.1980	Larsen & Toubro Ltd., Trainee
Dasaka S.N.C.	57	G.M. Leaf (ITD)	16,68,845	B.Sc., Dip. In Computer Mgmt.	32	16.02.1981	Mysore Tobacco Co., Factory Mgr.
Deveshwar Y.C.	54	Chairman	1,37,36,368	B.Tech. (Mech.)	32	11.02.1994	Air India Ltd., Chairman & M.D.
Ganesh D.	51	Chief Engineer (ITD)	16,61,034	B.E., D.M.S., Memb. Inst. of Standards Engrs.	28	19.11.1979	Metal Box (I) Ltd., Foreman
Govil S.	33	Divisional Mgr. Emp. Relations (ITD)	13,39,877	B.Sc., M.B.A.	12	01.06.1989	Nil
Grant K.N.	43	Div. Chief Exec. (ITD)	19,89,426	B.A. (Hons.), M.B.A.	22	02.06.1980	DCM Ltd., Mgmt. Trainee
Gupta P.	44	G.M., Taxation	16,36,774	B.Com.(Hons.), A.C.A., D.M.A.(I.C.A.)	21	15.02.1989	Hindustan Lever Ltd., Group Audit Mgr.
Jacob R.G.	55	Div. Chief Exec.(TTD)	20,77,455	B.Tech.	34	15.09.1967	Nil
Janardhana Reddy S.	52	V.P. Mktg., R.&D. (ILTD)	16,29,151	B.Sc.	28	27.12.1972	Nil
Jhabak M.K.	44	V.P. Corp. Affairs	13,88,715	B.Com.	22	01.09.1987	ITC Classic Ltd.
Keshava S.	42	Div. Chief Exec. (LRBD)	18,09,568	B.Com.(Hons.)	17	03.10.1989	S.A.S. Chemicals Pvt. Ltd.
Kumar M.	48	V.P. Corporate Affairs	12,98,688	M.Com., LL.B.	20	01.04.1981	Nil
Kumaraswamy H.S.	51	Mgr. Projects (ITD)	12,03,416	B.E., M.E.(Mech.), M.I.E., Chartered Engineer India	28	01.10.1982	Dunlop India Ltd., Sr. Project Engr.
Lakshminarayanan N.	50	V.P. Finance (IBD)	15,11,502	B.Com.(Hons.), F.C.A.	26	19.06.1978	Coromandel Leather (P) Ltd., Chief Accounts Officer
Lall U.	50	Exec. V.P. - Tobacco & Regulatory Affairs (ITD)	19,58,000	B.A.(Hons.)	29	03.01.1972	PARCO, Officer on Spl. Duty
Mahesh T.P.	45	Mgr., ERP Task Force (ITD)	12,17,210	B.Sc.	24	01.12.1981	Miniature Motor Co., Sales Rep.
Malhotra B.N.	55	Exec. V.P. Projects	19,17,525	B.Tech., M.Tech., P.G. Dip. in Soil Mech.	29	17.03.1975	ITDC, Asst. Engr.
Mehta R.R. (Dr.)	40	Asst. Solicitor	13,14,776	B.Com.(Hons.), LL.B., LL.M., LL.M., M.S. (Wis.), Ph.D.	16	10.06.1994	Legal Practitioner



Name	Age	Designation/ Nature of Duties	Gross Remu- neration Rs.	Qualifications	Experi- ence (years)	Date of Commence- ment of Employment	Previous Employment/ Position Held
1	2	3	4	5	6	7	8
Mukerji A.K.	42	Controller Finance & Accounts (ITD)	16,95,015	B.Com.(Hons.), A.C.A.	19	01.11.1982	Gupta Chowdhury & Ghose, Jr. Officer
Murthy P.S.R.	57	E.H.S. Manager	12,14,952	B.Tech., M.Tech.	33	20.12.1969	Garden Reach Workshop Ltd., Planning Engr.
Nambiar K.T.R.	50	Services on loan to Subsidiary Co.	13,06,521	B.Sc., A.C.A.	25	15.05.1978	A.F. Ferguson & Co., Audit Asst.
Naware R.	51	Exec. V.P. Technical (ITD)	21,73,792	B.Tech., M.M.S.	28	01.07.1974	Otis Elevator Co. (P) Ltd., Mgmt. Trainee
Nayak A.	49	Exec. V. P., Corp. Human Resources	20,25,913	B.Sc., P.G.D.I.R.	28	14.05.1973	Nil
Parasuram R.	42	V.P. Finance & MIS (ILTD)	15,38,765	B.Com.(Hons.), A.C.A.	19	15.09.1982	Nil
Pathak A.	41	V.P. Finance & MIS (TTD)	16,38,088	B.Com.(Hons.), F.C.A.	18	20.06.1983	Nil
Philipose P.S.	50	Services on loan to Associate Co.	17,91,241	B.Sc.(Hons.), M.B.A.	28	16.12.1974	VST Industries Ltd., G.M. Mktg. & Sales
Prasad N.V.S.S.V.	54	Project Mgr. (ILTD)	13,42,186	M.Tech., F.I.E.	29	19.01.1972	Nil
Puri R.	48	Services on loan to Associate Co.	14,29,360	B.Com.(Hons.), A.C.A.	23	16.01.1979	B.M. Chatrath, Audit Sr.
Puri S.	38	Divisional Mgr. E-Commerce (ITD)	13,30,467	B.Tech.	16	20.01.1986	TELCO Ltd., Trainee
Raghavaiah K.V.	54	G.M., Corporate Human Resources	16,01,731	B.A., P.G.D.P.M.I.R. & L.L.	35	01.09.1985	Coromandel Fertilisers Ltd., Asst. Manager (Pers & Ind. Relations)
Rai R.K.	38	Senior Trader (IBD)	15,64,548	B.A.(Mktg.), P.G.D. in Export & Imports	18	16.08.1990	Britannia Industries Ltd., Commercial Officer
Ramakrishna S.	46	Factory Mgr. (ILTD)	12,38,147	B.E.	22	12.11.1980	Sirpur Silks Ltd., Maintenance Engr.
Ranganathan R.	53	Exec. V.P., Leaf	14,39,939	B.Com., M.A.I.M.A.	34	12.01.1967	Nil
Rangrass S.	40	G.M. Operations (ITD)	16,44,791	B.Tech.	19	01.07.1982	Nil
Rao A.K.	50	V.P. Processing & Technical (ILTD)	15,57,220	B.Tech.	29	15.05.1972	Nil
Rao K. Nageswara	52	Leaf Mgr. (ILTD)	12,93,556	M.A.	27	01.12.1973	Nil
Rao K.S.	58	Div. Chief Exec. (ILTD)	23,18,143	B.Sc.(Hons.)	39	01.07.1967	Sirsil Ltd., Planning & Dev. Officer
Rao Mangina S.	40	Business Mgr. (IBD)	12,46,658	B.Com.(Hons.), P.G.Dip. in Exp. Mgmt., M.B.A.	16	08.06.1989	Banaras House, Mgr., International Trade Div.
Rao R.A.	58	Exec. V.P., Safety & Environment	18,62,455	D.M.I.C.E., A.M.R.S.H.	41	01.06.1967	ITC Hotels Ltd., V.P., Tech. & Safety
Rastogi M. (Ms)	33	Div. Mgr. Human Resources (LRBD)	12,48,680	B.A., M.A.	12	01.06.1989	Nil
Reddy M.D.	56	G.M. Exports (ILTD)	14,34,954	B.Sc., LL.B., LL.M.	35	10.01.1972	Tungabhadra Industries, Processing I.C.
Rehman S.S.H.	57	Director	63,65,180	Graduate, Indian Army	37	21.11.1997	ITC Hotels Ltd., Managing Director
Sarkar A.C.	60	Exec. V.P., Indust. Affairs (ITD)	26,74,068	B.A.(Hons.)	41	01.12.1960	Hindustan Steel Ltd., Graduate Apprentice
Sarma C.V.	39	Mgr. Treasury	16,39,195	B.Com., A.I.C.W.A., A.C.A., A.C.S., P.G.D.M.	13	03.05.1993	ITC Limited, Assistant Finance
Satyanarayana M.	47	Exec. V.P. Finance & MIS (ITD)	22,66,854	B.Sc., F.C.A., A.I.C.W.A., A.C.S.	22	03.04.1979	Mysore Paper Mills, Financial Accountant
Sengupta P.	43	V.P. (Finance) (PPD)	12,22,213	B.Sc.(Hons.), A.C.A.	19	01.07.1987	Indian Aluminium Co. Ltd., Finance Officer
Sengupta R.	56	Exec. V.P., H.R. (ITD)	18,58,432	B.A., M.A. (Cantb.)	36	21.07.1969	ITC Hotels Ltd., V.P., H.R.D.
Shihh A.S.	44	Services on loan to Associate Co.	14,90,477	B.Com., A.C.A.	19	01.12.1982	Eicher Goodearth Ltd., Jr. Exec.
Shome P.K.	54	Divisional Mgr. IT Projects (ITD)	12,24,321	B.E., P.G. Dip. in I.E.	33	01.10.1974	Ralli Wolf, Jr. Indust. Engr.
Singh A.	56	Director	58,63,553	B.Tech.(Hons.)	33	01.03.1968	Nil

Name	Age	Designation/ Nature of Duties	Gross Remu- neration Rs.	Qualifications	Experi- ence (years)	Date of Commence- ment of Employment	Previous Employment/ Position Held
1	2	3	4	5	6	7	8
Singh K.	36	Branch Mgr. (P) (ITD)	12,19,566	B.Tech.	15	20.02.1992	Asian Paints (I) Ltd., Plant Engg. Exec.
Singh P.P. (Dr.)	59	Chief Scientist (ITD)	17,77,113	B.Sc., M.Sc., Ph.D.	36	01.01.1980	Atira, Research Associate
Singhi R.K.	36	Deputy Company Secretary	12,32,504	B.Com.(Hons.), LL.B., F.C.S.	16	01.08.1988	Chemcrown (I) Ltd., Asst. Secretary
Sivakumar S.	40	Div. Chief Exec. (IBD)	25,82,104	B.Sc., P.G.Dip. in Rural Mgmt.	18	18.09.1989	Gujarat Co-op. Oil Seeds Growers' Federation Ltd., Mgr. Mktg.
Sridhar R.	42	V.P. HRD & Public Affairs (ILTD)	15,49,039	B.Sc., P.G.Dip. in P.M. & I.R.	19	01.06.1982	Nil
Srinivasan R.	49	Div. Chief Exec. (PPD)	19,66,106	B.Tech. (Hons.),	27	10.09.1974	Nil
Srinivasan Ravi	44	Mgr. Training & Development	13,28,489	B.Com.(Hons.), P.G.D.P.M. & I.R.	21	01.07.1988	Punjab Agro Industries Corpn. Ltd., Mgr., Manpower Dev.
Sumant B.	37	Branch Mgr. (P) (ITD)	12,46,301	B.E.	15	20.01.1986	Nil
Suresh K.S.	41	Company Solicitor	19,89,586	B.A., B.L., P.G.D.P.M., I.R. & L.W.	18	01.09.1990	Chambers of Sri C.S. Venkata Subramaniam, Advocate
Suresh K.N.	48	Chief Blender (ITD)	12,01,648	B.Sc., M.Sc.	26	01.03.1977	Gamon Ferchems, Tech. Trainee
Tandon R.	47	Finance Advisor	17,90,022	B.Sc., A.C.A.	23	01.01.1987	Triveni Handlooms Ltd., Finance Mgr. & Secy.
Tyagi S.	42	Trade Mktg. Dev. Mgr. (ITD)	13,20,117	B.Sc., M.Sc., Dip. in Mktg. Mgmt.	19	01.02.1982	Nil
Vaidyanath K.	51	Director	24,01,818	B.Com.(Hons.), M.B.A.	28	16.01.1976	Shriram Refrigeration Industries Ltd., Mgmt. Trainee
Vaidyanathan K.S.	61	Sr. V.P., Corp. Affairs	33,01,623	B.Com.(Hons.)	38	08.10.1982	T.V.S. Southern Roadways Ltd., Resident Mgr.
Venkatramani S.H.	44	Head, Corp. Communications	15,66,574	B.A., M.A.	18	01.08.1999	Ranbaxy Labs. Ltd. Director - Corp. Affairs
Verma Sanjay	42	Services on loan to Subsidiary Co.	16,62,970	B.E.	19	01.11.1981	Nil

Employed for a part of the year and in receipt of remuneration aggregating Rs. 1,00,000/- or more per month.

Awasthi J.N.	58	Mgr. EHS (ITD)	7,62,427	P.G. Dip. in B. & I.M., F.I.E.C.E.(I)	36	01.02.1967	Ministry of Defence, Sr. Scientific Officer
Babu J.K.	57	Leaf Mgr., Development (ILTD)	10,52,124	M.Sc.	34	07.01.1967	Nil
Babu V.V.R.	46	Divisional Head, India Operations (ISD)	8,10,366	B.Sc., M.Sc., M.Phil.	23	01.03.1979	Andhra Bank, Officer Grade II
Bakhle V.V.	58	Branch Mgr. (P) (ITD)	10,76,852	M.I.M.A.R.E., Chartd. Engr.	38	03.01.1975	The Shipping Corpn. of India Ltd., Ch. Engr. Officer
Balachandran M.	58	Mgr. Industry Affairs (ITD)	5,15,857	B.Sc., M.Sc., Dip. in S.O.C., P.G. Dip. in Bus. Mgmt.	34	01.06.1972	Larsen & Toubro Ltd., Statistician
Bijlani S.A.	42	Divisional Head, Human Resources (ISD)	11,29,810	B.Sc.(Hons.), LL.B., M.A. (P.M. & I.R.)	18	01.06.1982	Nil
Bunyan E.E.	56	Asst. Production Mgr. (ITD)	2,55,372	Dip. In M.E.	21	15.02.1979	Nil
Chary K.R.	57	V.P. (TQM)(PPD)	10,53,722	A.M.I.E.	34	15.02.1974	Metal Box (I) Ltd., Branch Engr.
Dasaratharaman K.	41	G.M. Brands (ITD)	3,31,019	B.Tech., P.G.D.M.	16	01.06.1984	Nil
Dhruvakrishnan C.T.	48	On Secondment	1,71,105	B.Com.(Hons.)	22	01.08.1974	Nil
Garewal H.S.	37	Divisional Head, Business Development (ISD)	6,32,827	B.Tech., M.B.A.	12	01.06.1988	Nil
Iyappa K.B.	42	Asst. Solicitor	5,79,041	B.Com., LL.B.	18	01.09.1991	Larsen & Toubro Ltd., Asst. Legal Officer
Khattar S.	43	G.M. - Internal Audit	5,31,488	B.Com.(Hons.), F.C.A.	19	07.11.1988	Nagarjuna Finance Ltd., Sr. Mgr. Treasury



Name	Age	Designation/ Nature of Duties	Gross Remu- neration Rs.	Qualifications	Experi- ence (years)	Date of Commence- ment of Employment	Previous Employment/ Position Held
1	2	3	4	5	6	7	8
Krishnaiah T.	58	Deputy Leaf Mgr. (ITD)	4,55,383	B.A., M.A.	35	19.10.1971	Binny & Co. Ltd., Asst. Sales
Kundu Prasenjit	36	Branch Engr. (ITD)	4,85,532	B.Tech., M.B.A.	13	01.06.1989	Union Carbide (I) Ltd., Engineer Proj. & Dev.
Mitra A.K.	49	G.M. Information Technology (ISD)	6,07,135	B.Ch.E., M.Tech.	24	01.01.1992	Price Waterhouse Associates, Managing Consultant
Mitter A.	45	Corp. MIS Mgr.	8,61,618	B.E.(Hons.)	21	05.12.1980	Western India Industries Ltd., Marketing Executive
Mitter B.	58	Director	92,51,006	B.Sc., F.C.A. (Eng. & Wales), P.G.D.B.A.	35	15.11.1971	Thornton Baker & Co. Ltd., U.K., Audit Mgr.
Mubayi A.	52	Exec. V.P., Corp. Affairs	14,52,631	B.A.(Hons.)	30	01.12.1970	Mahindra & Mahindra Ltd., Mgmt. Trainee
Naganand D.P.	51	Exec. V.P., Strategic Planning	8,07,179	B.Tech.(Hons.), M.B.A.	30	26.09.1977	G.E.C. Ltd., Production Incharge
Narang V.K.	58	V.P. Mktg. (ITD)	11,91,298	B.Tech. (Hons.)	37	01.07.1972	I.B.M. World Trade Corp., Industrial Engr.
Rajasekhar V.V.	36	Mgr., IT Projects (ITD)	8,35,940	B.E., M.B.A.	11	01.06.1989	Nil
Ray Subrata	54	G.M., T.Q.M. (TTD)	2,66,310	B.E., Dip. In Indust. Engg.	30	28.03.1994	National Productivity Council, Regional Director
Razdan V.K.	34	H.R. Mgr., E.R.P. Task Force (ITD)	5,36,602	B.Com.(Hons.), P.G.D.P.M.I.R.	12	01.06.1988	Nil
Reddy K. P.	56	Div. Quality Assurance Mgr. (ILTD)	2,05,753	M.Sc.	31	01.02.1969	Dept. of Agriculture (A.P.), Asst. Agronomist
Rustagi S.C.*	52	V.P. Corp. EHS	8,25,241	B.Sc., P.G.D.(Engg.)	29	10.02.1983	Shriram Fertilisers & Chemicals, Mech. Engr.
Syam A.(Mrs.)	58	Exec. V.P., Corp. Communications	7,45,078	M.A. (Cal & London)	33	14.07.1969	Bengal Chamber of Commerce, Div. Secretary

* Reverted to ITC during the year upon completion of secondment.

Abbreviations denote:

IBD	-	International Business Division
ISD	-	Information Systems Division
ILTD	-	Indian Leaf Tobacco Development Division
ITD	-	India Tobacco Division
LRBD	-	Lifestyle Retailing Business Division
PPD	-	Printing & Packaging Division
TTD	-	Tribeni Tissues Division
SBU	-	Strategic Business Unit
GCB	-	Greeting Cards Business

Notes:

1. Gross remuneration comprises salary, allowances, medical reimbursement, leave travel assistance, Company's contribution to provident, pension and gratuity funds, monetary value of other perquisites on the basis of the Income Tax Act and Rules, performance bonus for Wholtime Directors and excludes ex-gratia payment on separation.
2. All appointments are/were contractual, other terms and conditions are as per Company's Rules.
3. None of the above employees is a relative of any Director of the Company.

On behalf of the Board

A. SINGH Director
K. VAIDYANATH Director

Kolkata, 30th May, 2001

**BALANCE SHEET**

AS AT 31st MARCH, 2001

AS AT 31st MARCH, 2001		Schedule	31st March, 2001 (Rs. in Lakhs)		31st March, 2000 (Rs. in Lakhs)	
I. SOURCES OF FUNDS						
1. Shareholders' Funds						
a) Capital	1		2,45,41		2,45,41	
b) Reserves and Surplus	2		32,89,10	35,34,51	25,53,92	27,99,33
2. Loan Funds						
a) Secured Loans	3		5,65,77		4,63,92	
b) Unsecured Loans	4		2,93,17	8,58,94	1,88,95	6,52,87
Total				43,93,45		34,52,20
II. APPLICATION OF FUNDS						
1. Fixed Assets						
a) Gross Block	5		25,21,93		18,71,13	
b) Less : Depreciation			7,07,42		5,92,25	
c) Net Block			18,14,51		12,78,88	
d) Capital Work-in-Progress			1,46,15	19,60,66	2,74,36	15,53,24
2. Investments	6			10,06,94		9,87,26
3. Current Assets, Loans and Advances						
a) Inventories	7		11,44,63		9,32,46	
b) Sundry Debtors	8		1,02,83		1,15,11	
c) Cash and Bank Balances	9		35,41		27,73	
d) Other Current Assets	10		6,96,35		6,96,34	
e) Loans and Advances	11		10,48,31		6,27,74	
			30,27,53		23,99,38	
Less :						
4. Current Liabilities and Provisions						
a) Liabilities	12		12,58,42		11,37,91	
b) Provisions	13		3,43,26		3,49,77	
			16,01,68		14,87,68	
Net Current Assets				14,25,85		9,11,70
Total				43,93,45		34,52,20
Notes to the Accounts	18					
Significant Accounting Policies	19					

The Schedules referred to above form an integral part of the Balance Sheet.

Per our Report attached

For A. F. FERGUSON & CO.

Chartered Accountants

A. K. MAHINDRA
Partner

Kolkata, 30th May, 2001

On behalf of the Board

A. SINGH Director

K. VAIDYANATH Director

B. B. CHATTERJEE Secretary



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st MARCH, 2001

	Schedule	For the year ended 31st March, 2001 (Rs. in Lakhs)	For the year ended 31st March, 2000 (Rs. in Lakhs)
I. INCOME			
Sales		86,78,76	79,53,06
Other Income	14	1,37,35	1,16,31
		<u>88,16,11</u>	<u>80,69,37</u>
II. EXPENDITURE			
Raw Materials etc.	15	14,92,37	15,23,17
Excise Duties and Taxes on Sales of Products and Services		44,74,52	41,33,89
Manufacturing, Selling etc. Expenses	16	11,08,98	10,64,83
Depreciation		1,39,94	1,18,53
		<u>72,15,81</u>	<u>68,40,42</u>
III. PROFIT			
Profit before Taxation		16,00,30	12,28,95
Provision for Taxation	17	5,94,04	4,36,51
Profit after Taxation		10,06,26	7,92,44
Profit brought Forward		2,01,28	1,87,86
		<u>12,07,54</u>	<u>9,80,30</u>
Transfer to Hotel Foreign Exchange Earnings Reserve		(6,00)	(5,00)
Release from Hotel Foreign Exchange Earnings Reserve		54,01	48,01
Release from Investment Allowance Reserve			40
Available for appropriation		<u>12,55,95</u>	<u>9,85,00</u>
IV. APPROPRIATIONS			
Transfer to Debenture Redemption Reserve		17,50	17,50
Release from Debenture Redemption Reserve		(14,50)	3,00
General Reserve			7,00,00
Proposed Dividend			2,45,42
Income Tax on Proposed Dividend			25,03
Profit Carried Forward		<u>2,82,50</u>	<u>2,01,28</u>
		<u>12,55,95</u>	<u>9,85,00</u>
Notes to the Accounts	18		
Significant Accounting Policies	19		

The Schedules referred to above form an integral part of the Profit and Loss Account.

Per our Report attached to the Balance Sheet

For A. F. FERGUSON & CO.

Chartered Accountants

A. K. MAHINDRA

Partner

Kolkata, 30th May, 2001

On behalf of the Board

A. SINGH Director

K. VAIDYANATH Director

B. B. CHATTERJEE Secretary



SCHEDULES TO THE ACCOUNTS

(Figures for the previous year have been rearranged to conform with the revised presentation)

	As at 31st March, 2001 (Rs. in Lakhs)	As at 31st March, 2000 (Rs. in Lakhs)
1. CAPITAL		
Authorised		
30,00,00,000 Ordinary Shares of Rs. 10.00 each	<u>3,00,00</u>	<u>3,00,00</u>
Issued and Subscribed		
24,54,14,904 Ordinary Shares of Rs. 10.00 each, fully paid	<u>2,45,41</u>	<u>2,45,41</u>
Of the above, following were allotted :		
a) as fully paid up Bonus Shares —		
37,90,000 in 1978-79 by Capitalisation of Capital Reserve, Share Premium Reserve and General Reserve;		
45,48,000 in 1980-81 by Capitalisation of Capital Reserve and General Reserve;		
3,31,68,110 in 1989-90 by Capitalisation of Capital Reserve, Share Premium Reserve, Export Promotion Reserve and General Reserve;		
3,98,01,732 in 1991-92 by Capitalisation of General Reserve;		
12,13,18,177 in 1994-95 by Capitalisation of General Reserve.		
b) as fully paid up Shares —		
1,05,95,075 in 1991-92 consequent to the merger of Tribeni Tissues Limited to the Shareholders of Tribeni Tissues Limited.		
2. RESERVES AND SURPLUS		
General Reserve		
At commencement of the year	15,45,35	9,45,35
Add: From Profit and Loss Account	<u>7,00,00</u>	<u>6,00,00</u>
	22,45,35	15,45,35
Debenture Redemption Reserve		
At commencement of the year	52,50	93,33
Add: From Profit and Loss Account	<u>17,50</u>	<u>17,50</u>
	70,00	1,10,83
Less: To Profit and Loss Account	<u>14,50</u>	<u>58,33</u>
	55,50	52,50
Share Premium	2,74,08	2,74,08
Capital Reserve	2,22	2,22
Revaluation Reserve		
At commencement of the year	64,08	66,84
Less: To Profit and Loss Account		
— Depreciation	59	2,72
— Disposal of Fixed Assets	<u>4</u>	<u>4</u>
	63,45	64,08
Investment Allowance Reserve		
At commencement of the year	40	1,62
Less: To Profit and Loss Account	<u>40</u>	<u>1,22</u>
	—	40
Hotel Foreign Exchange Earnings Reserve		
At commencement of the year	54,01	57,49
Add: From Profit and Loss Account	<u>6,00</u>	<u>5,00</u>
	60,01	62,49
Less: To Profit and Loss Account	<u>54,01</u>	<u>8,48</u>
	6,00	54,01
Contingency Reserve	3,60,00	3,60,00
Profit and Loss Account	<u>2,82,50</u>	<u>2,01,28</u>
	<u>32,89,10</u>	<u>25,53,92</u>



SCHEDULES TO THE ACCOUNTS

3. SECURED LOANS

	As at 31st March, 2001 (Rs. in Lakhs)	As at 31st March, 2000 (Rs. in Lakhs)
Debentures *	1,21,00	1,50,00
Loans and Advances from Banks		
Cash/Export Credit Facilities **	4,09,77	1,45,72
Term Loans***	—	1,18,20
Other Loans ****	35,00	50,00
	<u>5,65,77</u>	<u>4,63,92</u>

* These comprise :

- (i) 71,00,000 (2000 – 1,00,00,000) 16.50% Non-Convertible Privately Placed Debentures of Rs. 100/- each, secured by equitable mortgage over certain immovable properties and charge over certain movable assets of the Company subject to prior charges created/to be created in favour of Bankers for securing Working Capital requirements, redeemable at par in three equal yearly instalments from 12th September, 2001 – Rs. 71,00 Lakhs (2000 – Rs. 1,00,00 Lakhs).
- (ii) 5,000 14.50% Non-Convertible Privately Placed Debentures of Rs. 1,00,000/- each, secured by equitable mortgage of certain immovable properties of the Company ranking pari passu with Lender of Term Loan shown under *** (ii), redeemable at par on 3rd March, 2003 – Rs. 50,00 Lakhs (2000 – Rs. 50,00 Lakhs).

** Secured by charge over certain current assets of the Company, both present and future.

*** (i) Secured by charge over certain movable fixed assets of the Company – Rs. Nil (2000 – Rs. 18,20 Lakhs).

(ii) Secured by equitable mortgage of certain immovable properties of the Company, ranking pari passu with the charge in respect of Debentures shown under* (ii) – Rs. Nil (2000 – Rs. 1,00,00 Lakhs).

**** (i) Secured by equitable mortgage of certain immovable properties of the Company and charge over certain movable assets, both present and future, of the Company, subject to prior charges created/to be created in favour of Bankers for securing Working Capital requirements – Rs. 30,00 Lakhs (2000 – Rs. 45,00 Lakhs).

(ii) Secured by hypothecation over certain movable fixed assets of the Company – Rs. 5,00 Lakhs (2000 – Rs. 5,00 Lakhs).

4. UNSECURED LOANS

Fixed Deposits	84,52	1,20,95
Short Term Loans		
From Banks		
Term Loans	46,62	—
Promissory Notes	1,60,00	—
Other Loans		
From Banks		
Term Loans	—	65,43
From Others	2,03	2,57
	<u>2,93,17</u>	<u>1,88,95</u>

Maximum amount of Commercial Paper outstanding at any time during the year was Rs. 50,00 Lakhs (2000 – Rs. 2,50,00 Lakhs).

SCHEDULES TO THE ACCOUNTS

5. FIXED ASSETS

	@ As at commencement of the year (Rs. in Lakhs)	Additions (Rs. in Lakhs)	Withdrawals (Rs. in Lakhs)	@ As at end of the year (Rs. in Lakhs)	Depreciation for the year (Rs. in Lakhs)	Depreciation on Withdrawals (Rs. in Lakhs)	Depreciation up to 31st March, 2001 (Rs. in Lakhs)	Net Book Value as at 31st March, 2001 (Rs. in Lakhs)
Trademarks and Goodwill	4,90	—	—	4,90	—	—	—	4,90
Land Freehold*	84,11	1,57,69	1	2,41,79	—	—	—	2,41,79
Buildings Freehold*	3,03,06	1,85,94	47	4,88,53	7,86	16	73,85	4,14,68
Leasehold Properties	9,89	26,29	—	36,18	13	—	2,10	34,08
Licensed Properties — Building Improvement	5,65	—	—	5,65	13	—	1,20	4,45
Railway Sidings etc.	1,17	—	—	1,17	5	—	38	79
Plant and Machinery	13,99,15	2,88,54	44,72	16,42,97	1,25,84	23,47	5,97,59	10,45,38
Furniture and Fixtures	48,16	38,66	1,61	85,21	5,09	75	27,57	57,64
Motor Vehicles etc.	15,04	2,46	1,97	15,53	1,43	98	4,73	10,80
	<u>18,71,13</u>	<u>6,99,58</u>	<u>48,78</u>	<u>25,21,93</u>	<u>1,40,53</u>	<u>25,36</u>	<u>7,07,42</u>	<u>18,14,51</u>
Capital Work-in-Progress	2,74,36	5,02,64	6,30,85	1,46,15	—	—	—	1,46,15
Total	<u>21,45,49</u>	<u>12,02,22</u>	<u>6,79,63</u>	<u>26,68,08</u>	<u>1,40,53</u>	<u>25,36</u>	<u>7,07,42</u>	<u>19,60,66</u>
Previous Year	<u>17,18,31</u>	<u>7,01,98</u>	<u>2,74,80</u>	<u>21,45,49</u>	<u>1,21,25</u>	<u>13,85</u>	<u>5,92,25</u>	<u>15,53,24</u>

@ Original Cost/Professional Valuation as at 30th June, 1986

Land Freehold includes the provisional purchase price of Rs. 14,81 Lakhs in respect of land at Bangalore. Final purchase price is to be determined by the Karnataka Industrial Areas Development Board, on settlement of which and on execution of a Sale Deed, title will pass to the Company in 21 years from the date of agreement.

Land Freehold includes certain lands at Munger acquired by the Government under the Bihar Land Reforms Act, 1950 for which compensation has not yet been determined.

Buildings Freehold include Rs. 33,34 Lakhs (2000 — Rs. 19,69 Lakhs) (at original cost) of buildings at New Delhi on Government land taken on perpetual lease and Rs. 28 Lakhs (2000 — Rs. 28 Lakhs) (at original cost) of buildings at Kolkata on Port Trust land taken on lease.

Plant and Machinery includes Rs. 29,53 Lakhs being assets given on lease, taken over. These assets are depreciated over the balance outstanding primary lease period, ranging between 16 months and 35 months.

Applications for exemption in respect of vacant land under the Urban Land (Ceiling & Regulation) Act, 1976 have been made.

Capital expenditure commitments are Rs. 96,83 Lakhs (2000 — Rs. 1,36,77 Lakhs).

Additions for the year includes fluctuations in the rate of foreign exchange (net) of Rs. 1,61 Lakhs (2000 — Rs. 9,30 Lakhs) and borrowing costs capitalised Rs. 82 lakhs (2000 — Rs. 4,36 Lakhs).

Depreciation for the year includes Rs. 59 Lakhs (2000 — Rs. 2,72 Lakhs) transferred from Revaluation Reserve.

* Includes certain properties for which deeds of conveyance are awaited.



SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2001 (Rs. in Lakhs) At Cost		As at 31st March, 2000 (Rs. in Lakhs) At Cost	
	Quoted	Not Quoted	Quoted	Not Quoted
6. INVESTMENTS				
Long Term				
A. TRADE INVESTMENTS				
Hotel Kathmandu Limited				
6,450 Shares of Nepalese Rs. 100.00 each, fully paid		5		5
International Travel House Limited				
2,87,600 Equity Shares of Rs. 10.00 each, fully paid	65		65	
Surya Tobacco Company (P) Limited				
2,74,400 Ordinary Shares of Nepalese Rs. 100.00 each, fully paid		89		89
Gujarat Hotels Limited				
17,33,907 Shares of Rs. 10.00 each, fully paid	1,94		1,94	
Hill Properties Limited				
3 class 'A' Shares of Rs. 1,20,000.00 each, fully paid		4		4
Modern Flats Private Limited				
86 Preference Shares of Rs. 500.00 each, fully paid (cost Rs. 43,000.00)		...		...
Punjab Anand Batteries Limited (in liquidation)				
11,86,157 Equity Shares of Rs. 10.00 each, fully paid - under Board for Industrial and Financial Reconstruction's Order of 20.4.1989 *		1,19		1,19
King Maker Marketing Inc. USA				
100 (2000 - Nil) Non Assessable Shares of Class B Cumulative Preferred Stock without par value (Purchased during the year)		1		—
B. SUBSIDIARY COMPANIES				
ITC Bhadrachalam Paperboards Limited				
3,62,36,549 Equity Shares of Rs. 10.00 each, fully paid	1,88,69		1,88,69	
25,72,000 11% Redeemable Cumulative Preference Shares of Rs. 100.00 each, fully paid		25,72		25,72
All India Tobacco Company Limited				
1,59,98,385 Ordinary Shares of Rs. 10.00 each, fully paid		16,00		16,00
Elan Enterprises Limited				
48,85,626 Ordinary Shares of Rs. 10.00 each, fully paid		4,88		4,88
Russell Credit Limited				
59,74,54,177 Equity Shares of Rs. 10.00 each, fully paid		6,19,29		6,19,29
7,54,22,400 Equity Shares of Rs. 10.00 each, Rs. 6.50 per share paid		39,22		39,22
ITC Infotech Limited				
6,85,815 Ordinary Shares of £ 1.00 each, fully paid		3,15		3,15
ITC Infotech India Limited				
1,02,00,000 (2000 - Nil) Equity Shares of Rs. 10.00 each, fully paid (Purchased during the year)		10,14		—
ITC Hotels Limited				
2,15,24,360 Equity Shares of Rs. 10.00 each, fully paid	84,07		84,07	
Landbase India Limited				
28,00,000 (2000 - Nil) Equity Shares of Rs. 10.00 each, fully paid (Purchased during the year)		9,57		—
ITC Global Holdings Pte. Limited				
89,99,645 Ordinary Shares of US \$1.00 each, fully paid *		25,58		25,58
Carried over	2,75,35	7,55,73	2,75,35	7,36,01

SCHEDULES TO THE ACCOUNTS

6. INVESTMENTS (Contd.)	As at 31st March, 2001		As at 31st March, 2000	
	(Rs. in Lakhs)		(Rs. in Lakhs)	
	At Cost		At Cost	
	Quoted	Not Quoted	Quoted	Not Quoted
Brought Forward	2,75,35	7,55,73	2,75,35	7,36,01
C. DEPOSITS WITH OR FOR DEPOSIT WITH VARIOUS AUTHORITIES				
Government Securities (cost Rs. 40,000.00)	...		...
D. OTHER INVESTMENTS				
The Bengal Chamber of Commerce and Industry				
6 1/2% Registered Debentures, fully paid (cost Rs. 17,000.00)	...		...
Coffee Futures Exchange India Limited				
1 Equity Share of Rs. 10,000.00 each, fully paid (cost Rs. 10,000.00)	...		...
Unit Trust of India				
50,000 Units of 1995 Scheme of Rs. 100.00 each, fully paid		52		52
Technology Development and Information Company of India Limited				
Venture Capital Unit Scheme (1990)				
3,360 (2000 – 6,720) Units of Rs. 100.00 each, fully paid				
(3,360 Units redeemed during the year)		3		7
The East India Clinic Limited				
1/2% Registered Debentures, fully paid (cost Rs. 15,200.00)	...		...
5% Registered Debentures, fully paid		1		1
Tribeni Tissues Co-op. Stores Ltd.				
3,000 (2000 – 3,700) Class 'B' Shares of Rs. 10.00 each, fully paid				
(700 Shares redeemed during the year) (Cost Rs. 30,000.00;				
2000 – Rs. 37,000.00)	...		...
Tourism Finance Corporation of India Limited				
25,000 Equity Shares of Rs. 20.00 each, fully paid		5		5
State Bank of India				
20,000 Redeemable Floating Interest Rate Bond of				
Rs. 1,000.00 each, fully paid		2,00		2,00
ICICI Limited				
7 1/4% Bonds in the nature of Promissory Note		2		2
Total Long Term Investments	2,75,35	7,58,36	2,75,35	7,38,68
Total of Quoted and Unquoted Investments		10,33,71		10,14,03
Less: Provision for Investments*		26,77		26,77
TOTAL OF INVESTMENTS		10,06,94		9,87,26

Total Market Value of Quoted Investments : 2001 – Rs. 3,51,54 Lakhs (2000 – Rs. 2,89,03 Lakhs).

During the year, the following current investments were purchased and sold :

(a) Treasury Bills of Face Value of Rs. 10,00,18 Lakhs (2000 – Rs. 4,95,91 Lakhs).

(b) 1,57,93,978.57 Units of Templeton Government Securities Fund of Face Value of Rs. 20,00 Lakhs (2000 – Rs. Nil).

(c) 19,07,97,374.56 Units of K Gilt Unit Scheme 98 (Savings Plan) of Face Value of Rs. 2,10,07 Lakhs (2000 – Rs. Nil).



SCHEDULES TO THE ACCOUNTS

7. INVENTORIES

	As at 31st March, 2001 (Rs. in Lakhs)	As at 31st March, 2000 (Rs. in Lakhs)
Stores and Spare Parts	57,19	57,77
Raw Materials	8,56,76	6,76,00
Intermediates – Tissue Paper	3,64	2,31
Stock in Process	5,81	2,40
Finished Goods	2,21,23	1,93,98
	<u>11,44,63</u>	<u>9,32,46</u>

8. SUNDRY DEBTORS

Over 6 months old

Good and Secured (2001 – Rs. Nil; 2000 – Rs. 20,931)	—	...
Good and Unsecured	7,67	8,74
Doubtful and Unsecured – From Subsidiaries	34,99	34,99
– From Others	55,57	57,68

Other Debts

Good and Secured	2,71	2,55
Good and Unsecured – From Subsidiaries	1,86	2,57
– From Others	93,30	1,03,80

	<u>1,96,10</u>	<u>2,10,33</u>
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Less : Provision for Doubtful Debts	90,56	92,67
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	<u>1,05,54</u>	<u>1,17,66</u>
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Less : Deposits from normal Trade Debtors – Contra	2,71	2,55
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	<u>1,02,83</u>	<u>1,15,11</u>
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9. CASH AND BANK BALANCES

With Scheduled Banks

On Current Accounts etc.	31,14	23,24
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On Deposit Accounts (2001 – Rs. 25,000; 2000 – Rs. 25,000)
--	-----	-----

With Other Banks*
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Cash and Cheques on hand	4,27	4,49
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	<u>35,41</u>	<u>27,73</u>
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Rs. 5 Lakhs (2000 – Rs. 5 Lakhs) on deposit in Karachi-Blocked Account considered doubtful, fully provided.

* Includes on Current Account Rs. 12,720/- (2000 – Rs. 12,720/-) with Post Office Savings Bank and maximum amount outstanding at any time during the year was the same.

10. OTHER CURRENT ASSETS

Good and partially secured

Deposit towards Property Options*	2,95,73	3,00,80
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Good and Unsecured

Deposits with Government, Public Bodies and Others@	3,98,40	3,93,03
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Interest accrued on Loans, Advances etc.	2,16	1,93
--	------	------

Interest accrued on Investments	6	22
---------------------------------	---	----

Dividend Receivable	—	36
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Doubtful and Unsecured

Deposits with Government, Public Bodies and Others	1,38	1,38
--	------	------

	<u>6,97,73</u>	<u>6,97,72</u>
--	----------------	----------------

Less : Provision for Doubtful Deposits	1,38	1,38
--	------	------

	<u>6,96,35</u>	<u>6,96,34</u>
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* Rs. 1,47,80 Lakhs secured against equitable mortgage of land.

@ Deposit with subsidiary companies Rs. 2,58 Lakhs (2000 – Rs. 42 Lakhs).



SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2001 (Rs. in Lakhs)	As at 31st March, 2000 (Rs. in Lakhs)
11. LOANS AND ADVANCES		
Good and Secured		
Loans to Others	1,04,00	20,00
Loans to Subsidiaries	2,64,00	—
Good and Unsecured		
Loans to Subsidiaries	96,12	7,00
Loans to Others*	29,90	31,20
Advances recoverable in cash or in kind or for value to be received **	2,13,61	2,61,51
Advances with Government and Public Bodies	2,80,03	2,84,30
Advances with Subsidiaries **	60,65	23,73
Doubtful and Unsecured		
Loans	7,36	7,36
Advances recoverable in cash or in kind or for value to be received	9,39	10,09
Advances with Government and Public Bodies	55	55
	<u>10,65,61</u>	<u>6,45,74</u>
Less : Provision for Doubtful Loans and Advances	<u>17,30</u>	<u>18,00</u>
	<u>10,48,31</u>	<u>6,27,74</u>
* Includes Loans and Advances to Directors and to Secretary — Rs. 1,44 Lakhs (2000 — Rs. 1,49 Lakhs). The maximum indebtedness during the year was Rs. 1,67 Lakhs (2000 — Rs. 1,51 Lakhs).		
** Includes Capital Advances of Rs. 1,57,54 Lakhs (2000 — Rs. 2,45,23 Lakhs).		
12. LIABILITIES		
Acceptances	1,58	2,94
Sundry Creditors*		
Total outstanding dues of small scale industrial undertakings	1,08	3,35
Total outstanding dues of creditors other than small scale industrial undertakings	12,07,94	10,74,70
Sundry Deposits**	33,77	32,91
Unclaimed Dividend	8,74	15,57
Interest Accrued but not due on Loans	8,02	10,99
	<u>12,61,13</u>	<u>11,40,46</u>
Less : Deposits from normal Trade Debtors — Contra	<u>2,71</u>	<u>2,55</u>
	<u>12,58,42</u>	<u>11,37,91</u>
* Includes amounts due to Subsidiary Companies Rs. 4,23 Lakhs (2000 — Rs. 2,05 Lakhs).		
** Includes deposits from Subsidiary Company Rs. 20,25 Lakhs (2000 — Rs. 20,25 Lakhs).		
13. PROVISIONS		
Taxation (net of advance payment)	61,25	1,14,66
Provision for Retirement Benefits	11,56	10,56
Proposed Dividend	2,45,42	1,84,06
Income Tax on Proposed Dividend	25,03	40,49
	<u>3,43,26</u>	<u>3,49,77</u>



SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2001 (Rs. in Lakhs)	For the year ended 31st March, 2000 (Rs. in Lakhs)
14. OTHER INCOME		
Miscellaneous Income	41,53	40,77
Licence Fees	15,88	13,99
Doubtful Debts, Claims and Advances – previous years	31	1,06
Gain on Exchange – Net	2,21	—
Income from Long Term Investments – Trade	6,00	89
– Subsidiary	2,15	10,66
– Others	44	5,48
Income from Current Investment – Others	4,76	17,03
Interest on Loans and Deposits etc.	35,62	7,09
Profit on Sale of Long Term Investments	—	22,55
Liability no longer required Written Back*	28,45	12,30
	<u>1,37,35</u>	<u>1,16,31</u>

The Income from Investments and Interest are stated Gross, the amount of Income Tax deducted is Rs. 8,74 Lakhs (2000 – Rs. 5,36 Lakhs).

*Includes Rs. 23,16 Lakhs (2000 – Rs. Nil) written back following fulfilment of export obligation relating to EPCG licenses.

15. RAW MATERIALS ETC.

(a) RAW MATERIALS CONSUMED

Opening Stock	6,76,00	6,32,02
Purchases	14,97,62	12,44,02
	<u>21,73,62</u>	<u>18,76,04</u>
Less : Closing Stock	8,56,76	6,76,00
	13,16,86	12,00,04

(b) PURCHASES AND CONTRACT MANUFACTURING CHARGES

Cigarettes	34,30	8,59
Agri Products	1,34,37	2,58,10
Other Goods	21,55	45,76
Packing Materials	10,71	8,35
	2,00,93	3,20,80

(c) (INCREASE)/DECREASE IN FINISHED GOODS, INTERMEDIATES, STOCK IN PROCESS

Opening Stock	1,61,88	1,92,85
Cigarettes	19	31
Smoking Tobaccos	2,71	2,54
Printed Materials	23,13	21,08
Agri Products	3,90	3,56
Paper - Speciality Paper	1,53	3,45
Other Goods	64	81
Packing Materials	2,31	1,86
Intermediates - Tissue Paper	2,40	3,85
Stock in Process	<u>1,98,69</u>	<u>2,30,31</u>
Closing Stock	1,65,04	1,61,88
Cigarettes	27	19
Smoking Tobaccos	2,32	2,71
Printed Materials	18,25	23,13
Agri Products	5,03	3,90
Paper - Speciality Paper	29,15	1,53
Other Goods	1,17	64
Packing Materials	3,64	2,31
Intermediates - Tissue Paper	5,81	2,40
Stock in Process	<u>2,30,68</u>	<u>1,98,69</u>
	(31,99)	31,62

Total	14,85,80	15,52,46
Less : Waste Material Sales	5,11	4,89
	<u>14,80,69</u>	<u>15,47,57</u>
Excise Duties etc. on Increase/(Decrease) of Finished Goods	11,68	(24,40)
	<u>14,92,37</u>	<u>15,23,17</u>



SCHEDULES TO THE ACCOUNTS

16. MANUFACTURING, SELLING ETC. EXPENSES

	For the year ended 31st March, 2001 (Rs. in Lakhs)		For the year ended 31st March, 2000 (Rs. in Lakhs)	
Salaries/Wages and Bonus	1,86,05		1,75,73	
Contribution to Provident and Other Funds	29,46		27,23	
Workmen and Staff Welfare Expenses	32,07		28,23	
Reimbursement of Contractual Remuneration	26,85	2,74,43	19,06	2,50,25
Consumption of Stores and Spare Parts		64,94		58,52
Power and Fuel		74,23		62,43
Rent		19,87		16,42
Rates and Taxes		12,80		11,55
Insurance		15,13		13,42
Repairs				
– Buildings		15,65		17,48
– Machinery		17,32		20,95
– Others		15,58		13,24
Outward Freight and Handling Charges		96,33		84,99
Advertising/Sales Promotion – Net		1,83,32		1,85,09
Market Research		12,69		10,68
Doubtful and Bad Debts		3,81		5,99
Doubtful and Bad Advances, Deposits etc.		3		84
Electronic Data Processing		13,77		8,80
Travelling and Conveyance		50,45		44,69
Training		8,58		6,52
Legal Expenses		5,29		15,58
Postage, Telephone, Telex etc.		15,26		15,83
Brokerage and Discount – Sales		1,74		1,80
Brokerage and Discount – Others		—		75
Commission to Selling Agents		2,34		1,45
Loss on Sale of Current Investments – Net		2,45		—
Bank Charges		4,66		6,50
Loss on Exchange – Net		—		3,53
Interest etc. Paid – Debenture, Term Loans and Fixed Deposits	61,37		98,88	
– Others	34,46		61,41	
– Discount on Issue of Financial Instruments	88		5,80	
Less : Interest Received on Trading Debts, Deposits with Government Bodies etc.	11,80	84,91	53,54	1,12,55
Miscellaneous Expenses		1,44,66		1,18,06
Fixed Assets and Stores Discarded – Net		4,30		7,04
Investments written off		—		29
		11,44,54		10,95,24
Deduct : Transfers to Fixed Assets etc. Accounts		35,56		30,41
		11,08,98		10,64,83
Miscellaneous Expenses Include :				
(1) Contribution to Chief Ministers' Relief Fund		—		25
(2) Contribution to Army Central Welfare Fund		—		1,00
(3) Contribution to Prime Minister's Relief Fund		5,00		—
(4) Auditors' Remuneration and Expenses:				
Audit Fees		65		65
Tax Audit Fees		18		21
Fees for Other Services		40		22
Reimbursement of Expenses		9		14
(5) Cost Auditors' Fee (Rs. 48,300/- ; 2000 – Rs. 42,000/-)		...		...

Interest received on Trading Debts, Deposits with Govt. Bodies etc. is stated Gross, the amount of Income Tax deducted is Rs. 50 Lakhs (2000 – Rs. 7,80 Lakhs).



SCHEDULES TO THE ACCOUNTS

17. PROVISION FOR TAXATION

Income Tax on:

– Current Year's Profits

Less : Adjustments related to previous years – Net

For the year ended
31st March, 2001
(Rs. in Lakhs)

6,35,66

41,62

5,94,04

For the year ended
31st March, 2000
(Rs. in Lakhs)

4,91,63

55,12

4,36,51

18. NOTES TO THE ACCOUNTS

- (i) Exchange difference in respect of forward exchange contracts to be charged or capitalised in the subsequent accounting period amounts to Rs. 19 Lakhs (2000 – Rs. 3 Lakhs).
- (ii) The Judicial Managers of ITC Global Holdings Pte. Ltd., Singapore, a wholly owned subsidiary of the Company, have indicated claims from the creditors of that company ranging between USD 48 million and USD 49.8 million for which the Board does not accept any legal liability. Without prejudice to the legal rights of the Company and with the intention of protecting Company's future business interest in the fast-globalising economy, the Company has proposed rendering financial assistance to the tune of USD 26 million to the Judicial Managers subject to the Shareholders' consent and all necessary approvals from all Government and other authorities, both at Singapore, and in India, and also subject to concluding a comprehensive Agreement between the Company and the Judicial Managers in this regard, which is currently under progress.
- (iii) (a) Claims against the Company not acknowledged as debts Rs. 70,29 Lakhs (2000 – Rs. 82,98 Lakhs).
(b) Bills of Exchange discounted Rs. 8 Lakhs (2000 – Rs. 1,17 Lakhs).
(c) Guarantees and Counter Guarantees outstanding
– Excise Rs. 6,03 Lakhs (2000 – Rs. 4,56 Lakhs).
– Others Rs. 68,05 Lakhs (2000 – Rs. 2,68,88 Lakhs).
(d) Uncalled liability on shares partly paid Rs. 26,40 Lakhs (2000 – Rs. 26,40 Lakhs).
- (iv) Voluntary Retirement Schemes are in existence for certain non-management employees under which compensation becomes due and payable in instalments after voluntary retirement. The future liability in respect of such employees who have left, on fulfilment of the stipulated conditions, not provided for, would amount to Rs. 72 Lakhs (2000 – Rs. 9,17 Lakhs).
- (v) The status on excise matters which is treated as an annexure to these accounts are as outlined in this year's Report of the Directors under the Excise section. In the opinion of the Directors, the Company does not accept any further liability.
- (vi) Research and Development expenses for the year amount to Rs. 6,07 Lakhs (2000 – Rs. 7,57 Lakhs).
- (vii) Retirement Benefits in respect of Pension, Gratuity etc. are provided for based on Actuarial Valuations as at the Balance Sheet date.
- (viii) The names of small scale industrial undertakings to whom the Company owes a sum exceeding Rs. 1 Lakh which is outstanding for more than 30 days as at the Balance Sheet date are Kamatchi Laminations Pvt. Ltd., Karthik Printing Inks Co. Ltd., Jaishree Packaging and APJ Printers & Packers.



SCHEDULES TO THE ACCOUNTS

(ix) DIRECTORS' REMUNERATION

	For the year ended 31st March, 2001 (Rs. in Lakhs)	For the year ended 31st March, 2000 (Rs. in Lakhs)
Salaries	1,71	1,69
Performance Bonus to Wholetime Directors	85	84
Other Benefits	66	56
Commission, etc. to Non-Wholetime Directors	29	18
Directors' Fees	11	3
	<u>3,62</u>	<u>3,30</u>

The above :

- Excludes contribution to the approved group pension and gratuity funds which are actuarially determined on an overall basis.
- Includes Rs. 10 lakhs for the period 17th January, 2001 to 31st March, 2001 in respect of a Director whose appointment and remuneration are subject to the approval of the members at the forthcoming Annual General Meeting.

Computation of Net Profit and Directors' Commission

Profit before Taxation	16,00,30	12,28,95
Add :		
Directors' Remuneration	3,62	3,30
Wealth Tax – Net	14	20
Depreciation	1,39,94	1,18,53
Investments written off	—	29
Adjusted Profit/Loss on Sale of Fixed Assets	<u>—</u> <u>1,43,70</u>	<u>6</u> <u>1,22,38</u>
	<u>17,44,00</u>	<u>13,51,33</u>
Less :		
Profit on Sale of Long Term Investments	—	12,30
Depreciation under Section 350 of the Companies Act, 1956	<u>1,34,85</u> <u>1,34,85</u>	<u>1,64,98</u> <u>1,77,28</u>
Profit for the purpose of Directors' Commission	<u>16,09,15</u>	<u>11,74,05</u>
Non-Wholetime Directors' Commission @ 1%	16,09	11,74
Restricted to	29	18



SCHEDULES TO THE ACCOUNTS

(x) ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3, 4C AND 4D OF PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

(a) Licensed and Installed Capacity and Actual Production

Class of Goods	Unit of Quantity	CAPACITY				PRODUCTION	
		Registered/Licensed (a)		Installed		2001	2000
		2001	2000	2001	2000		
Cigarettes	Million	53,797(b)	53,797(b)	80,286	72,493	55,879	56,365
Smoking Tobaccos	Tonne	N.A.	N.A.	N.A.	N.A.	119	107
Printing/Packaging (Tiruvottiyur)	Tonne	12,600	12,600	16,175	16,175	16,831(c)	15,576(c)
Printing (Munger)	Million Standard Sheet Impression	385	385	482	482	120(c)	128(c)
Redried Tobacco	Tonne	N.A.	N.A.	N.A.	N.A.	72,007(c)	73,288(c)
Unredried Tobacco	Tonne	N.A.	N.A.	N.A.	N.A.	—(c)	120(c)
Pulp	Tonne	7,500	7,500	11,000	11,000	N.A.(d)	N.A.(d)
Paper	Tonne	33,000	33,000	33,000	33,000	19,122(c)	18,841(c)
Chalk	Tonne	3,900	3,900	4,400	4,400	—(c)	—(c)
Fillers	Nos.	100	100	N.A.	N.A.	—	1

- a) The "Registered/Licensed Capacity" is exclusive of additional capacity of 25% permissible under the policy of the Government of India.
- b) This is in accordance with the Registration Certificate which was re-endorsed on 27th October, 1984 and 7th October, 1991 by the Government of India.
- c) Includes production meant for internal consumption.
- d) The entire production of pulp is meant for internal consumption.

Smoking, Redried and Unredried Tobacco are not items covered by the Industries (Development & Regulation) Act, 1951 or any other regulatory provisions.

(b) Particulars in respect of Sales*

	Unit of Quantity	QUANTITY		VALUE (Rs. in Lakhs)	
		2001	2000	2001	2000
Cigarettes	Million	66,478	66,145	76,76,63	69,39,87
Smoking Tobaccos	Tonne	118	109	6,82	6,19
Unmanufactured Tobaccos	Tonne	24,270	24,026	2,08,94	2,25,95
Printed Materials	Tonne	6,706	6,757	65,93	61,37
Agri Products	Tonne	2,78,965	3,92,191	3,61,93	4,13,97
Marine Products	Tonne	1,905	1,702	1,07,23	82,10
Paper-Speciality Paper	Tonne	16,128	16,355	1,12,48	1,00,27
Hotels Sales/Income from Services				1,33,65	1,20,90
Miscellaneous				5,15	2,44
				86,78,76	79,53,06

* Net of Sales Returns and Damaged Stocks etc.



SCHEDULES TO THE ACCOUNTS

	Unit of Quantity	Quantity		Value (Rs. in Lakhs)	
		2001	2000	2001	2000
(c) Details of Finished Goods					
(i) Opening Stock					
Cigarettes	Million	2,066	2,562	1,61,88	1,92,85
Smoking Tobaccos	Tonne	3	5	19	31
Printed Materials	Tonne	416	362	2,71	2,54
Agri Products	Tonne	12,647	22,371	23,13	21,08
Paper - Speciality Paper	Tonne	667	739	3,90	3,56
Other Goods				1,53	3,45
Packing Materials				64	81
				<u>1,93,98</u>	<u>2,24,60</u>
(ii) Closing Stock					
Cigarettes	Million	1,961	2,066	1,65,04	1,61,88
Smoking Tobaccos	Tonne	3	3	27	19
Printed Materials	Tonne	426	416	2,32	2,71
Agri Products	Tonne	10,921	12,647	18,25	23,13
Paper - Speciality Paper	Tonne	830	667	5,03	3,90
Other Goods				29,15	1,53
Packing Materials				1,17	64
				<u>2,21,23</u>	<u>1,93,98</u>
(iii) Purchases and Contract Manufacturing Charges					
Cigarettes	Million	10,636	9,351	34,30	8,59
Agri Products	Tonne	1,08,718	2,80,282	1,34,37	2,58,10
Other Goods				21,55	45,76
Packing Materials				10,71	8,35
				<u>2,00,93</u>	<u>3,20,80</u>
(d) Details of Raw Materials Consumed during the year*					
Unmanufactured Tobaccos	Tonne	93,109	93,076	4,30,97	4,77,82
New Jute Cuttings	Tonne	537	1,071	56	1,01
Wood Pulp	Tonne	17,645	17,305	55,30	39,42
Agri Products	Tonne	1,73,323	1,11,105	1,84,40	1,26,06
Board	Tonne	40,349	36,690	1,99,59	1,77,99
Filter Rods	Million	8,835	8,333	91,44	96,13
Aluminium Foil/Metallised Paper	Bobbin	5,26,952	5,25,386	46,64	50,85
BOPP/Viscose Film	Tonne	1,652	1,624	25,16	28,76
Miscellaneous				2,82,80	2,02,00
				<u>13,16,86</u>	<u>12,00,04</u>

* Relates to the Company's main products and the principal raw materials.

(e) Value of Raw Materials, Spare Parts and Components Consumed during the year		(Percentage)		Value (Rs. in Lakhs)	
		2001	2000	2001	2000
Raw Materials					
Imported		14.23	17.79	1,87,39	2,13,51
Indigenous		85.77	82.21	11,29,47	9,86,53
		100.00	100.00	13,16,86	12,00,04
Spare Parts and Components					
Imported		37.48	52.19	24,34	30,54
Indigenous		62.52	47.81	40,60	27,98
		100.00	100.00	64,94	58,52



SCHEDULES TO THE ACCOUNTS

(f) Earnings etc. in Foreign Exchange during the year

	2001 (Rs. in Lakhs)	2000 (Rs. in Lakhs)
Export of Goods (F.O.B. – Realisation Basis)	5,83,80	5,64,01
Interest	1,37	9,85
Dividend	4,39	36
Hotel Earnings*	84,39	75,54
Other Earnings	23,09	33,59
Proportionate share of Advertisement Expenses	9	4,35
	<u>6,97,13</u>	<u>6,87,70</u>

* Includes Rs. 64,89 Lakhs (2000 – Rs. 56.38 Lakhs) being earnings during the year through International Credit Cards, Travel Agencies, Foreign Airlines etc.

(g) Value of Imports during the year (C.I.F. Basis)

Raw Materials	1,39,15	1,60,03
Components and Spare Parts	17,80	22,74
Capital Goods	60,19	1,28,17
Other Goods (including imports under eligible Export House Scheme)	88	4
	<u>2,18,02</u>	<u>3,10,98</u>

(h) Expenditure/Loans in Foreign Currency during the year (on payment basis)

Professional Fees	7,72	7,18
Advertising/Sales Promotion	8,21	16,27
Export Promotion Expenses	2,34	2,85
Training	1,77	2,13
Hotel Reservation/Marketing Expenses	4,07	2,39
Interest	5,12	36,12
Licence Fees	45	37
Miscellaneous Expenditure	11,33	15,35
Loans	70,04	4,49,41
	<u>1,11,05</u>	<u>5,32,07</u>

(i) Remittances in Foreign Currencies on account of Dividends

Financial Year	On Account of	No. of Shares held	No. of Non-Resident Shareholders	(Rs. in Lakhs)
2000/2001	1999/00	9,12,03,360	99	68,40
1999/2000	1998/99	9,12,09,132	106	50,17

SCHEDULES TO THE ACCOUNTS

19. SIGNIFICANT ACCOUNTING POLICIES

IT IS CORPORATE POLICY

Convention

To prepare financial statements in accordance with applicable Accounting Standards in India. A summary of important accounting policies, which have been applied consistently, is set out below. The financial statements have also been prepared in accordance with relevant presentational requirements of the Companies Act, 1956.

Basis of Accounting

To prepare financial statements in accordance with the historical cost convention modified by revaluation of certain Fixed Assets as detailed below.

Fixed Assets

To state Fixed Assets at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalised. Expenses capitalised also include applicable borrowing costs. To adjust the original cost of Fixed Assets acquired through foreign currency loans at the end of each financial year by any change in liability arising out of expressing the outstanding foreign loan at the rate of exchange prevailing at the date of Balance Sheet.

To capitalise software where it is expected to provide future enduring economic benefits. Capitalisation costs include licence fees and costs of implementation/system integration services. The costs are capitalised in the year in which the relevant software is implemented for use.

All upgradation/enhancements are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

Depreciation

To calculate depreciation on Fixed Assets in a manner that amortises the cost of the assets after commissioning, over their estimated useful lives or lives based on the rates specified in Schedule XIV to the Companies Act, 1956, whichever is lower, by equal annual instalments. Leasehold properties are amortised over the period of the lease.

Capitalised software costs are amortised over a period of five years.

Revaluation of Assets

To review the original book value of Fixed Assets, from time to time, and revalue such of those Fixed Assets as have appreciated in value significantly, in order to relate them more closely to current replacement values, to adjust the provision for depreciation on such revalued Fixed Assets, where applicable, in order to make allowance for consequent additional diminution in value on considerations of age, condition and unexpired useful life of such Fixed Assets; to transfer to Revaluation Reserve the difference between the written up value of the Fixed Assets revalued and depreciation adjustment and to charge Revaluation Reserve Account with annual depreciation on that portion of the value which is written up.

Investments

To state Current Investments at lower of cost and fair value; and Long Term Investments at cost. Where applicable, provision is made where there is a permanent fall in valuation of Long Term Investments.

Inventories

To state inventories including work-in-progress at cost or below. The cost is calculated on weighted average method. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its location and includes, where applicable, appropriate overheads based on normal level of activity. Obsolete, slow moving and defective inventories are identified at the time of physical verification of inventories and, where necessary, provision is made for such inventories.

Turnover

To state Turnover, which represents invoiced value of goods sold and services rendered, net of sales tax but inclusive of excise duties, luxury taxes etc.

Investment Income

To account for Income from Investments on an accrual basis, inclusive of related tax deducted at source.



SCHEDULES TO THE ACCOUNTS

Proposed Dividend

To provide for Dividends as proposed by the Directors in the books of account, pending approval at the Annual General Meeting.

Retirement Benefits

To make regular monthly contributions to various Provident Funds, Pension Funds and Gratuity Funds which are charged against revenue. To also charge against revenue, actual disbursements made, when due, under the Workers' Voluntary Retirement Scheme.

To administer through duly constituted and approved independent trusts, various Funds in respect of Employees' Retirement Benefit Schemes, with the exception of Provident Fund and Family Pension contributions in respect of Unionised Staff which are statutorily deposited with the Government.

Lease Rentals

To charge rentals in respect of leased equipment to the Profit and Loss Account.

Research and Development

To write off all expenditure other than capital expenditure on Research and Development in the year it is incurred.

Capital expenditure on Research and Development is included under Fixed Assets.

Foreign Currency Translation

To account for transactions in foreign currency at the exchange rate prevailing on the date of transactions. Gains/losses arising out of fluctuations in the exchange rates are recognised in Profit and Loss in the period in which they arise except in respect of Fixed Assets where exchange variance is adjusted in the carrying amount of the respective Fixed Asset.

To account for differences between the forward exchange rates and the exchange rates at the date of transactions, as income or expense over the life of the contracts, except in respect of liabilities incurred for acquiring Fixed Assets, in which case such differences are adjusted in the carrying amount of the respective Fixed Asset.

To account for profit/loss arising on cancellation or renewal of forward exchange contracts as income/expense for the period, except in case of forward exchange contracts relating to liabilities incurred for acquiring Fixed Assets, in which case such profit/loss are adjusted in the carrying amount of the respective Fixed Asset.

To account for gains/losses on foreign exchange rate fluctuations relating to current assets and liabilities at the year end.

To account for gains/losses on foreign exchange rate fluctuations relating to inventories at foreign branches where valuation is at net realisable value.

To account for gains/losses on foreign exchange rate fluctuations relating to current assets and liabilities of foreign branch and foreign currency bank accounts at the year end.

Claims

To disclose claims against the Company not acknowledged as debts after a careful evaluation of the facts and legal aspects of the matter involved.

Financial and Management Information Systems

To practise an Integrated Accounting System which unifies both Financial Books and Costing Records. The books of account and other records have been designed to facilitate compliance of the relevant provisions of the Companies Act on one hand, and meet the internal requirements of information and systems for Planning, Review and Internal Control on the other. To ensure that the Cost Accounts are designed to adopt Costing Systems appropriate to the business carried out by the Division with each Division incorporating into its Costing System, the basic tenets and principles of Standard Costing, Budgetary Control and Marginal Costing as appropriate.

On behalf of the Board

	A. SINGH	Director
	K. VAIDYANATH	Director
Kolkata,	B. B. CHATTERJEE	Secretary
30th May, 2001		



REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the attached balance sheet of I.T.C. Limited as at March 31, 2001 and also the profit and loss account of the company for the year ended on that date, annexed thereto, and report that :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above:
 - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books;
 - (iii) the balance sheet and the profit and loss account dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the profit and loss account and balance sheet comply with the requirements

of the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

- (v) on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2001 from being appointed as directors in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (vi) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - (a) in the case of the balance sheet, of the state of affairs of the company as at March 31, 2001 and
 - (b) in the case of the profit and loss account of the profit for the year ended on that date.

For A. F. Ferguson & Co.
Chartered Accountants

A. K. Mahindra
Partner

Kolkata, 30th May, 2001

Annexure to the Auditors' Report

(referred to in paragraph (1) thereof)

1. The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. In our opinion, the fixed assets have been physically verified by the management at reasonable intervals, having regard to the size of the company and the nature of its assets. No material discrepancies between the book records and the physical inventory were noticed.
2. The fixed assets have not been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management during the year except materials lying with third parties (which have substantially been confirmed). In our opinion, the frequency of verification is reasonable.
4. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management were found reasonable and adequate in relation to the size of the company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not material in relation to the operations of the company.
6. On the basis of our examination of the stock records, in our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The company has not taken any loans, secured or unsecured, from companies, firms, or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The provisions of Section 370 of the Companies Act, 1956 are not applicable to a company on and from October 31, 1998.
8. The company has not granted any loans, secured or unsecured, to companies, firms, or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The provisions of Section 370 of the Companies Act, 1956 are not applicable to a company on and from October 31, 1998.
9. In respect of loans and advances in the nature of loans given by the company, where stipulations have been made, the parties are repaying the principal amounts as stipulated or as rescheduled and have also been regular in the payment of interest where applicable, except in respect of certain loans/advances in the nature of loans which have been considered as doubtful and fully provided for.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchases of stores, raw materials including components, plant and machinery, equipment and other assets, and for the sale of goods.



11. There were no transactions during the year of purchase of goods and materials, and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956.
12. As explained to us the company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Section 58A of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
14. In our opinion, reasonable records have been maintained by the company for the sale of realisable scrap. We have been informed that the company's operations do not generate any by-products.
15. In our opinion, the company has an adequate internal audit system commensurate with the size of the company and the nature of its business.
16. To the best of our knowledge, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for any of the products of the company excepting paper, for which, in our opinion, prima facie, the prescribed accounts and records have been maintained and are being made up. We have not, however, made a detailed examination of the records.
17. According to the records of the company, provident fund and Employees' State Insurance dues, where applicable, have been regularly deposited during the year with the appropriate authorities.
18. According to the information and explanations given to us, there were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which have remained outstanding as at March 31, 2001 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us and the records of the company examined by us, no personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of the service activities :
 - (a) the company has a reasonable system of recording receipts, issues and consumption of materials and stores, where applicable, and such system provides for a reasonable allocation of materials consumed to the relative jobs
 - (b) the company has a reasonable system of allocating man hours utilised, where applicable, to the relative jobs
 - (c) there is a reasonable system of authorisation at proper levels on issues of stores and allocation of stores and labour to jobs commensurate with the size of the company and the nature of its business.
22. As explained to us, in respect of the trading activity of the company damaged goods have been determined and adequate provision has been made in the accounts for the loss arising on the items so determined.

For A. F. Ferguson & Co.
Chartered Accountants

A. K. Mahindra
Partner

Kolkata, 30th May, 2001

I. Registration Details

State Code

2	1
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II. Capital raised during the year (Amount in Rs. Thousands)

Rights Issue						
			N	.	A	.
Private Placement						
			N	.	A	.

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Assets							
4	3	9	3	4	4	6	4

Sources of Funds

Reserves & Surplus							
	3	2	8	9	0	8	5
Unsecured Loans							
		2	9	3	1	6	9

Application of Funds

Investments									
	1	0	0	6	9	4	5	4	
Misc. Expenditure									
				N	.	A	.		

IV. Performance of Company (Amount in Rs. Thousands)

Total Expenditure

7	2	1	5	8	1	1	8
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**Includes Other Income

+ -		Profit/Loss After Tax									
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1	0	0	6	2	6	2	2	

(Please tick appropriate box + for profit, – for loss)

Dividend Rate %

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)	***	N	.	A	.	
Product Description	H	O	T	E	L	S

*** No item code has been assigned to 'Hotels' under the Indian Trade Classification.



CASH FLOW STATEMENT

(Figures for the previous year have been rearranged to conform with the revised presentation)

	2001 (Rs. in Lakhs)	2000 (Rs. in Lakhs)
A. NET PROFIT BEFORE TAX	16,00,30	12,28,95
ADJUSTMENTS FOR :		
Depreciation	1,39,94	1,18,53
Lease Rentals	—	18
Interest etc. – Net	49,29	90,00
Income from Long Term Investments	(8,59)	(17,03)
Income from Current Investments	(4,76)	(7,09)
Fixed Assets – Loss on Sale/Write off – Net	3,68	6,56
Profit on Sale of Long Term Investment	—	(12,30)
Loss on Sale of Current Investments – Net	2,45	—
Investment Written off	—	29
Unrealised (Gain)/Loss on Exchange – Net	1,54	(4,46)
Liability no longer required written back	(28,45)	(1,52)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	17,55,40	14,02,11
ADJUSTMENTS FOR :		
Trade and Other Receivables	(65,53)	17,68
Inventories	(2,12,17)	(16,41)
Trade Payables	1,60,76	1,61,68
CASH GENERATED FROM OPERATIONS	16,38,46	15,65,06
Income Tax Paid	(6,47,45)	(4,86,65)
NET CASH FROM OPERATING ACTIVITIES	9,91,01	10,78,41
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(4,64,39)	(4,70,27)
Sale of Fixed Assets	14,72	62
Purchase of Current Investments	(12,27,94)	(4,88,82)
Sale/Redemption of Current Investments	12,30,25	4,95,91
Purchase of Long Term Investments	(19,72)	(27,15)
Sale of Long Term Investments	4	1,11,65
Income from Long Term Investments Received	9,11	17,87
Interest Received	45,24	78,34
Deposits towards Property Options	—	(25,00)
Loans Given	(4,55,49)	(29,18)
Loans Realised	9,67	26,00
NET CASH USED IN INVESTING ACTIVITIES	(8,58,51)	(3,10,03)
C. CASH FLOW FROM FINANCIAL ACTIVITIES :		
Proceeds from Long Term Borrowings	—	85,09
Repayments of Long Term Borrowings	(2,64,60)	(6,86,53)
Net increase in Cash/Export Credit Facilities and other Short Term Loans	4,70,67	25
Repayments of Lease Liabilities	—	(18)
Interest etc. Paid	(99,68)	(1,68,71)
Dividends Paid	(1,90,89)	(1,26,50)
Income Tax on Dividend Paid	(40,49)	(14,85)
NET CASH FLOW USED IN FINANCING ACTIVITIES	(1,24,99)	(9,11,43)
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,51	(1,43,05)
OPENING CASH AND CASH EQUIVALENTS	27,73	1,70,78
CLOSING CASH AND CASH EQUIVALENTS	35,24	27,73
CASH AND CASH EQUIVALENTS COMPRISE :		
Cash and Bank Balances	35,41	27,73
Unrealised Loss/(Gain) on Foreign Currency Cash and Cash Equivalents	(17)	—
	35,24	27,73

Landbase India Limited and ITC Infotech India Limited became subsidiaries of the company during the year on acquisition of shares, for cash, aggregating to Rs. 9,71 lakhs.

Per our Report attached
For A. F. FERGUSON & Co.
Chartered Accountants
A. K. MAHINDRA
Partner
Kolkata, 30th May, 2001

On behalf of the Board

A. SINGH Director
K. VAIDYANATH Director
B. B. CHATTERJEE Secretary

Auditors' Report

We have examined the attached Cash Flow Statement of I.T.C. Limited for the year ended 31st March, 2001. The statement has been prepared by the company in accordance with the listing requirements of the Stock Exchanges in India and is based on and derived from the audited accounts of the company for the year ended 31st March, 2001.

For A. F. Ferguson & Co.
Chartered Accountants
A. K. Mahindra
Partner

Kolkata, 30th May, 2001



STATEMENT REGARDING SUBSIDIARY COMPANIES

PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Note	Name of the Subsidiary Company*	Number of Shares held by the Company and/or its Subsidiaries	Extent of Holding	Profits/(Losses) so far it concerns the members of the Holding Company and not dealt with in the books of Account of the Holding Company		Profits/(Losses) so far it concerns the members of the Holding Company and dealt with in the books of Account of the Holding Company	
				For the Financial Year of the Subsidiary	For the Previous Financial Year(s) since it became a Subsidiary	For the Financial Year of the Subsidiary	For the Previous Financial Year(s) since it became a Subsidiary
				Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs
1	ITC Bhadrachalam Paperboards Limited	5,29,18,252	60.25%	21,02.29	(31,53.46)	Nil	Nil
2	BFIL Finance Limited	1,99,99,994	99.99%	(6,00.14)	(14,01.66)	Nil	Nil
3	BFIL Securities Limited	1,99,99,994	99.99%	Nil	Nil	Nil	Nil
4	MRR Trading & Investment Company Limited	9,998	99.98%	(0.01)	(0.07)	Nil	Nil
	ITC Hotels Limited	2,15,24,360	71.23%	9,03.85	39,77.99	Nil	2,15.24
5	Srinivasa Resorts Limited	1,63,20,477	68.00%	4,49.18	(2,48.45)	Nil	Nil
6	Fortune Park Hotels Limited	4,50,001	99.99%	2.30	21.41	Nil	Nil
7	Bay Islands Hotels Limited	11,875	100%	27.34	22.95	Nil	Nil
8	Russell Credit Limited	67,28,76,577	100%	7,12.87	18,75.19	Nil	Nil
9	Greenacre Holdings Limited	3,30,60,166	100%	20.93	1,82.38	Nil	Nil
10	ITC Infotech India Limited	1,02,00,000	100%	4.48	Nil	Nil	Nil
11	ITC Infotech Limited & subsidiary undertaking - (in GBP Lakhs)	6,85,815	100%	(6.97)	4.75	Nil	Nil
	Elan Enterprises Limited	48,85,626	100%	38.87	89.07	Nil	Nil
	All India Tobacco Company Limited	1,59,98,385	100%	98.57	77.37	Nil	Nil
12	Landbase India Limited	28,00,000	70.00%	(6,79.16)	Nil	Nil	Nil
13	ITC Global Holdings Pte. Limited & subsidiary undertakings	89,99,645	100%	N.A.	N.A.	N.A.	N.A.

* All subsidiary companies have financial years ended on 31.3.2001 with the exception of ITC Global Holdings Pte. Limited & Subsidiary undertakings where the financial years ended on 31.12.2000 and ITC Infotech Limited & subsidiary undertaking which had a 15 month financial period ended on 31.03.2001.

Notes :

- The Company held 41.26% of the total subscribed and paid up share capital of ITC Bhadrachalam Paperboards Limited.
Russell Credit Limited, a wholly owned subsidiary of the Company, held 18.99% of the total subscribed and paid up share capital of ITC Bhadrachalam Paperboards Limited.
The Company held 25,72,000 Preference Shares of Rs. 100/- each, fully paid up, of ITC Bhadrachalam Paperboards Limited.
- ITC Bhadrachalam Paperboards Limited, a subsidiary of the Company, held 99.99% of the total subscribed and paid up share capital of BFIL Finance Limited.
- BFIL Finance Limited, a subsidiary of ITC Bhadrachalam Paperboards Limited, held 99.99% of the total subscribed and paid up share capital of BFIL Securities Limited. Steps have been initiated by BFIL Securities Limited for voluntary winding up.
- BFIL Finance Limited, a subsidiary of ITC Bhadrachalam Paperboards Limited, held 99.98% of the total subscribed and paid up share capital of MRR Trading & Investment Company Limited.
- ITC Hotels Limited, a subsidiary of the Company, held 68% of the total subscribed and paid up share capital of Srinivasa Resorts Limited.
- ITC Hotels Limited, a subsidiary of the Company, held 99.99% of the total subscribed and paid up share capital of Fortune Park Hotels Limited.
- ITC Hotels Limited, a subsidiary of the Company, held 100% of the total subscribed and paid up share capital of Bay Islands Hotels Limited.
- Pursuant to the Scheme of Amalgamation of Sage Investments Limited and Summit Investments Limited with Russell Credit Limited with retrospective effect from 01.02.1999 for consideration other than cash as sanctioned by the High Court at Kolkata, the Company held the entire issued share capital of 67,28,76,577 equity shares of Rs.10/- each, comprising of 59,74,04,170 equity shares fully paid up, and of the balance 7,54,22,400 equity shares of Rs.10/- each, Rs.6.50 per share were called and paid up on application and allotment.
- Russell Credit Limited, a wholly owned subsidiary of the Company, held 100% of the total subscribed and paid up share capital of Greenacre Holdings Limited.
- The Company, with effect from August 21, 2000, held 100% of the total subscribed and paid up capital of ITC Infotech India Limited.
- ITC Infotech Limited held the entire share capital of ITC Infotech (USA) Inc. being 2,000 nos. Common Shares without par value.
- The Company, with effect from September 9, 2000, held 70% of the total subscribed and paid up share capital of Landbase India Limited.
- Application has been made to the Central Government seeking exemption from compliance of the provisions of Section 212 of the Companies Act, 1956 in respect of ITC Global Holdings Pte. Limited and its subsidiaries.
The Company held the entire issued share capital of 89,99,645 Ordinary Shares of US\$ 1.00 each, fully paid up of ITC Global Holdings Pte. Limited.
ITC Global Holdings Pte. Limited, a subsidiary of the Company, held 80% of equity share capital of Hup Hoon Traders Pte. Limited, Singapore, being 80,002 equity shares of S\$ 1.00 each, fully paid up.
ITC Global Holdings Pte. Limited, Singapore, a subsidiary of the Company, and its subsidiary undertaking Hup Hoon Traders Pte. Limited, Singapore held 6,000 equity shares of Cyprus Pound 1.00 each, fully paid up, of Fortune Tobacco Co. Limited, Cyprus.
Fortune Tobacco Co. Limited, Cyprus, held the entire issued Common Stocks (no par value) of Fortune Tobacco Company Inc., USA, being 100 shares issued and outstanding with a paid up value of US\$ 2,483.
Hup Hoon Traders Pte. Limited, Singapore, a subsidiary of ITC Global Holdings Pte. Limited, Singapore, held :
Entire equity share capital of AOZT, "Hup Hoon", Moscow, being 5 equity shares of Rouble 1,00,000 each, fully paid up.
Entire equity share capital of Hup Hoon Impex Srl, Romania, being 10,000 equity shares of US\$ 1.00 each, fully paid up.

On behalf of the Board

A. Singh Director
K. Vaidyanath Director
B. B. Chatterjee Secretary

Kolkata, 30th May, 2001

ITC BHADRACHALAM PAPERBOARDS LIMITED

REPORT OF THE DIRECTORS

Your Directors present the Annual Report and Audited Accounts of the Company for the financial year ended 31st March, 2001.

Financial and Operational Performance

The year ended 31st March, 2001 was a year of turnaround for your Company, after its Rs. 675 crores expansion project commenced commercial production in April, 1998. The production facilities operated at a capacity utilisation of over 100% during the year. Despite the industry facing a global slowdown in demand, coupled with continuing over supply, total sales, during the year, increased to 2,04,649 tonnes (Rs. 611 crores) from 1,79,715 tonnes (Rs. 444 crores) in the previous year, with exports improving to 39,228 tonnes (Rs. 94.41 crores) from 19,896 tonnes (Rs. 42.82 crores). The growth in sales, over the previous year, was 38% in terms of value and 14% in terms of volume.

Your Company's products, bench-marked against global best-in-class, have substantially substituted imported paperboards for premium packaging and value added graphic applications in the domestic market. The value added portion of sales grew to 15% from 8% in the previous year. This all-round improvement in performance enabled your Company to register a profit after tax of Rs.34.89 crores, from a loss of Rs.32.12 crores in the previous year.

The financial results, summarised, are as under:

	Year ended 31.03.2001 (Rs.Lakhs)	Year ended 31.03.2000 (Rs.Lakhs)
Gross operating profit	11776.52	7757.38
Less: Interest and finance charges	4184.65	6716.85
Less: Provision for contingencies	—	200.00
Profit/(Loss) before depreciation, amortisation and taxation	7591.87	840.53
Less: Depreciation and amortisation	4102.59	4052.83
Profit/(Loss) before taxation	3489.28	(3212.30)
Less: Provision for taxation	—	—
Profit/(Loss) after taxation	3489.28	(3212.30)
Surplus/(Deficit) brought forward from previous year	(15645.43)	(12433.13)
Surplus/(Deficit) carried to Balance Sheet	(12156.15)	(15645.43)

In view of the unabsorbed loss of early years, your Board regrets that the Company is not in a dividend paying position.

Exports

As mentioned last year, quality paperboards from the new machine enabled a significant foray for your Company into international markets. Exports of your Company have doubled and now its products have a significant presence in Sri Lanka, Bangladesh, Malaysia, Iran and the United Arab Emirates (UAE). Towards the end of the year, your Company also executed orders for high value products to discerning customers in China and South Africa. It is anticipated that your Company's international business, particularly for demanding applications, will grow steadily across all focussed markets.

Foreign Exchange Earnings/Outflow

Foreign exchange inflow during the year, through exports, was US\$ 20.93 million compared to US\$ 9.97 million in 1999-2000.

The foreign exchange outflow on raw materials, spares and consumables was US\$ 20.85 million compared to US\$ 19.17 million in the previous year. The outflow on capital goods, technology know-how / consultancy, repayment of foreign currency loans etc., was US\$ 9.64 million against US\$ 12.49 million in the previous year.

Product Development

Your Company, during the year, developed superior products for critical applications like liquid packaging and premium quality graphic printing. The Company's strategy for creating and enhancing product differentiation through constant optimisation of functional and graphic quality of boards helped build goodwill and loyalty for its products both in the domestic and export markets.

Projects

In order to exploit the increasing demand for coated boards and improve efficiencies, your Company upgraded its first paper machine by installing a coater and carrying out certain modifications/additions at an outlay of Rs. 30 crores. The products from this machine, after its upgradation and trials, have been well received by customers.

With the objective of further enhancing the mill's international competitiveness in terms of quality, cost and environmental management, your Company, during the year, also embarked on a project for modernisation and upgradation of the pulp mill, at an outlay of about Rs. 227 crores.

Corporate and Financial Developments

The programme for substitution of high cost long-term debt with low cost borrowing, initiated in the previous year, with assistance from the Holding Company, I.T.C. Limited, was successfully completed. This has resulted in substantial savings in interest cost.

Plantations

The Farm Forestry Programme, under clonal plantation, continued to progress with nearly 25.90 lakh clonal eucalyptus saplings, adequate for planting 1480 hectares of land, supplied during the year to growers. The high rate of survival and growth of clonal plantations has led to improved productivity of wood biomass and higher returns to farmers, resulting in a growing demand for the clones. This programme, as mentioned last year, is strategically linked to your Company's competitiveness and is expected to become a major source of competitive advantage in the years to come.

Fire Incident

There was a fire incident, on 22nd March, 2001 at the Company's mill at Bhadrachalam, in the power generating equipment area. The fire was fully extinguished within an hour by the swift and concerted action of the managers and workmen. No one was injured. Following this incident, production in the mill was affected. The new paper machine representing 60% of the production capacity was brought on stream within a day. The other paper machines were made operational during the period 24th to 31st March, 2001.

The equipment (turbo generator), is expected to be fully functional by end-May, 2001. The restoration cost is estimated at Rs. 5 crores, which is partly recoverable from the Insurer. The loss on account of production stoppage, and other costs, is estimated at Rs. 2.25 crores. (Rs. 1.79 crores, up to 31st March, 2001).

Subsidiary

During the year, your Company's subsidiary BFIL Finance Limited (BFIL) has not contracted any fresh business and continues to focus on recoveries from its clients. During the year, BFIL collected Rs. 2.93 crores and concluded negotiations for settlement of debt for a value of Rs. 3.76 crores. The proceeds, inter alia, were utilised for liquidation of bank debt to the extent of Rs. 1.24 crores. Focussed efforts on recoveries have enabled BFIL during the last four years to collect Rs. 83.25 crores, including property settlements from its debtors, and the proceeds have largely been utilised towards liquidation of its debt from Banks and Financial Institutions, aggregating Rs. 57.76 crores, and repayment of fixed deposits aggregating Rs. 15.71 crores.

BFIL incurred a loss of Rs. 6 crores during the year ended 31st March, 2001. After taking into account the deficit of Rs. 82.85 crores from the previous year, the deficit at the end of the year was Rs. 88.85 crores. Taking into account BFIL's performance of debt recovery and the provision of a sum of Rs. 50 crores in previous years, no further provision is considered necessary in the accounts for the year ended 31st March, 2001, towards your Company's exposure in BFIL aggregating Rs. 72.24 crores.

Fixed Deposits

Under the Company's fixed deposit schemes, 351 deposits, aggregating Rs. 42.68 lakhs, were unclaimed at the end of the financial year. Subsequently, 57 deposits, aggregating Rs. 6.87 lakhs, have been repaid/renewed. The remaining depositors have been approached for instructions. Your Company stopped acceptance and renewal of fixed deposits in September, 2000.

Employees

Your Directors wish to place on record their appreciation of the contribution by employees at all levels. In April, 2001 a settlement, revising the terms and conditions of service of unionised employees, was concluded in a cordial atmosphere. This settlement, for the period up to 30th September, 2003, lays stress on productivity of resources and rationalisation of manpower.

Outlook

With the new Paper Machine operating at more than its rated capacity, plans are under implementation to expand the value added segment in the domestic and international markets on the one hand and improve cost efficiencies on the other. The project for modernisation and upgradation of the pulp mill is a significant step in the direction of enhancing your Company's international competitiveness in terms of quality, cost and environmental management.

In the immediate term, the current slowdown in the world economy is likely to impact the paperboards industry. Despite the global slow down, the Indian economy is slated to grow at a rate of 6% p.a. The growth rate for paperboards is expected to further accelerate with the growing sophistication of the Indian consumer and the resultant increase in the demand for high quality packaging for branded goods. On the strength of its assiduously developed quality products and superior cost efficiencies, your Company is confident of maintaining its market standing.

Your Company will endeavour to make available world class paperboard options to customers to enable them enhance the value of their offerings in a competitive marketplace. Your Company views the Asian region as an arena of opportunity and, with its experience and product knowledge, will focus on increasing its share in such segments which place the most exacting demands on product performance. The performance during last year has provided your Company a platform to enter such segments. In the coming year, your Company will focus on harnessing profitable business opportunities in these segments with its product and service excellence.

Your Company continues to evaluate the most appropriate approach to derive value from Information Technology applications and web-based business opportunities. The web site www.itcbpl.com, launched during the year, as a vibrant tool for "channel enhancement", is being upgraded to make it more interactive for existing and potential customers. Your Company is now engaged in value chain integration using internet as a means for interaction amongst customers and suppliers. Online ordering and real-time tracking of the order status would be some of the customer friendly features of this solution. Savings are expected to be realised in the areas of inventory management, logistics, transaction processing and administrative costs. Your Company is in discussion with solution providers of international repute to select the most appropriate solution to match its needs.

Directors' Responsibility Statement in terms of Section 217 (2AA) of the Companies Act, 1956

Your Directors have:

- followed in the preparation of the annual accounts, the applicable accounting standards with proper explanation relating to material departure;
- selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period;
- taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- prepared the annual accounts on a going concern basis.

Corporate Governance

a) Report on Corporate Governance

Certificate dated 18th May, 2001 of the auditors of your Company, regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchanges, is enclosed as Annexure to this Report.

b) Management Discussion and Analysis Report

Aspects of Management Discussion and Analysis not covered herein, are dealt with in the Annexure to this Report.

Directors

Sri S. H. Khan was appointed an Additional Director on 8th September, 2000. In accordance with Section 260 of the Companies Act, 1956 and Article 98 of the Company's Articles of Association, he holds office until the date of the forthcoming Annual General Meeting and is eligible for election.

Sri B. Mitter resigned from the Board with effect from 7th March, 2001; and Sri K. Vaidyanath was appointed Director with effect from 8th March, 2001 in the casual vacancy caused by the resignation of Sri Mitter. Unit Trust of India appointed Sri Ajeet Prasad as its nominee, with effect from 28th July, 2000 in place of Sri B. G. Daga. Industrial Development Bank of India withdrew the nomination of Sri S. Suryanarayanan from the Board with effect from 9th June, 2000.

Your Directors would like to record their appreciation of the services rendered by Sri Mitter, Sri Daga and Sri Suryanarayanan during their tenure as Directors of the Company.

Acknowledgements

The Directors have pleasure in recording their appreciation of the assistance extended to the Company by various officials of the Central and State Governments and by members of the participating Financial Institutions and Commercial Banks.

Other Information

Information on Energy Conservation and Technology Absorption required to be disclosed under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, as well as information required to be disclosed in accordance with Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forming part of the Directors' Report for the year ended 31st March, 2001, are enclosed as Annexures to this Report.

On behalf of the Board

Kolkata, 18th May, 2001

P. Dhobale
P. K. Talwar
Managing Director
Director - Finance

ANNEXURE TO DIRECTORS' REPORT

Information under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report.

	Annualised Savings (Rs. lakhs)
1. Replacement of old Pumps & Centri cleaners/Pulper/Pulper Pumps in Paper Machine I	26.30
2. Installation of mechanised unloading system in place of manual unloading, at the Chipper House thereby increasing throughput and reducing Kwh/tonne of chips produced	8.10
3. Effective utilisation of winder pulper leading to reduction in the running hours of Paper Machine IV Reel Pulper	25.00
4. Replacement of old Vacuum Pumps in Paper Machine III	9.40
5. Change in process requirements and improvements:	10.00
a) Couch Pit Agitator and exhaust fan start and stop through timer in Paper Machine IV	
b) Cleaning of Air Compressors/Air Dryers in Paper Machine IV	
c) Using L.P. Back water instead of H.P. Back water in Pulp Mill W.H.D.T.	
6. Replacement of old Pump in Pulp Mill (Hypo-II L.P. Back Water)	6.50
7. Replacement of old energy inefficient Pumps in the stock preparation area.	7.00
8. Miscellaneous activities	10.70
Total	103.00

FORM A

(Form for disclosure of particulars with respect to conservation of energy)

A. POWER AND FUEL CONSUMPTION

	Current Year (12 months ended 31.3.2001)	Previous Year (12 months ended 31.3.2000)
1. Electricity		
a. Purchased		
Units-Lakh Kwh	94.69	115.58
Total amount-Rs. Lakhs	436.83	515.71
Rate/Unit-Rs.	4.61	4.46
b. Own generation		
i) Through Diesel Generators		
Units-Lakh Kwh	43.38	38.95
Units per litre of diesel oil	3.15	3.22
Cost/Unit (variable)-Rs.	5.07	3.47
ii) Through Steam Turbine/Generators		
Units-Lakh Kwh	2138.65	2030.11
Cost/Unit (variable)-Rs.	0.83	0.88
2. Coal-(Grades 'C' ROM and 'E' ROM)		
Quantity (tonnes)	226721	239754
Total Cost-Rs. Lakhs	3121.68	3282.53
Average rate-Rs. per tonne	1376.88	1369.12
3. Furnace Oil		
Quantity (K. Litres)	833.87	841.31
Total amount-Rs. Lakhs	85.17	72.40
Average rate-Rs. per K.Ltr.	10214.28	8605.63
4. Others/Internal Generation		Not applicable
Quantity	—	—
Total Cost	—	—
Rate/Unit	—	—

B. CONSUMPTION PER UNIT OF PRODUCTION

Product	Current Year (12 months ended 31.3.2001)			Previous Year (12 months ended 31.3.2000)		
	Electricity (Kwh)	Furnace Oil (Litre)	Coal (T)	Electricity (Kwh)	Furnace Oil (Litre)	Coal (T)
(a) Paper	1437	4	1.40	1426	5	1.69
(b) Board	991	1	1.02	1094	2	1.20
Combined average	1079	2	1.10	1165	3	1.31
(c) Cast Coated Paper/Board	674	131	—	787	131	—

Specific unit consumption and coal consumption for the year ended is lower compared to the previous year because of increased production and efficiency improvement.

FORM B

(Form for disclosure of particulars with respect to technology absorption)

RESEARCH AND DEVELOPMENT (R&D)

1. Specific areas in which R&D carried out by the Company	<ul style="list-style-type: none"> — Use of high refractive index fillers; — Use of dual polymer retention system; — Introduction of engineered clays in premium products; — Usage of speciality coating binders; — Development of cigarette board for international customers; — Controlling effluent into the effluent treatment plant; — Using better hardwood species for better pulp strength; — Development of 38 site specific clones through genotype x environment interaction studies; — Development of intra and inter specific hybrids through controlled pollination between 'Bhadrachalam' clones of Eucalyptus and other Eucalyptus species; — Development of disease resistant clones; — Successful control of termite damage to Eucalyptus plantations. 	<ul style="list-style-type: none"> — The carbon sequestered from Farm Forestry clonal plantations of the company is 27,000 tonnes, approximately. This activity is invaluable for protection and conservation of environment.
2. Benefits derived as a result of the above	<ul style="list-style-type: none"> — Substitution of fiber, and higher capacity levels; — Improved fiber and filler retention leading to increased productivity and reduced effluent load; — Superior printability and enhanced sheet/print gloss; — Better graphic reproduction, better rotogravure printability; — Higher strength pulp; — Better survival and growth of clonal plantations leading to increase in productivity of wood biomass and higher returns to farmers/growers. High yielding clones suitable for refractory sites/alkaline soils have been identified. Productivity of 'Bhadrachalam' clones is 3 to 5 times higher in comparison to normal seed source plantations; 	<ul style="list-style-type: none"> — Introducing speciality coating additives for improving printability; — Setting up new pulp mill for generating Elemental Chlorine Free pulp with higher brightness and strength; — Food packaging boards (Ovenable boards); — Continued enhancing of environment quality; — Development of compatible paper for ink-jet, laser/digital printing; — Efforts towards identifying superior and high yielding clones; — Efforts towards developing bamboo plantations; — Continue research on genetic improvement of Eucalyptus, Casuarina, Subabul, Bamboo and other pulpwood tree species.
3. Future plan of action		
4. Expenditure on R&D		
(a) Capital		<ul style="list-style-type: none"> — The R & D Unit connected with process and product technology is integrated with the Mill and no separate capital expenditure was incurred. Capital expenditure incurred on plantations related research activities was Rs. 8.62 lakhs.
(b) Recurring		Rs. 2.75 lakhs
(c) Total		Rs. 11.37 lakhs
(d) Total R&D Expenditure as % of total turnover:		
— gross turnover		0.02%
— net turnover		0.02%

ITC BHADRACHALAM PAPERBOARDS LIMITED

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Efforts, in brief, made towards technology absorption, adaptation and innovation
 - Installation of combi-blade coater on Paper Machine I
 - Installation of new drive system for Paper Machine I
 - Adaptation of Distributed Control System for Paper Machine I
 - Installation of new ESP (electrostatic precipitator)
 - Continuous training of human resources
 - Improved low cost mist chambers (polypropagators) installed
 - Adoption of environment friendly biological method of termite control for Eucalyptus plantations.
- Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.

Product Improvement

 - New Distributed Control System enables tight control of quality and improved productivity
 - Capability of producing LWC boards on Paper Machine I
 - Improved aesthetics of the board
 - Improved package of practices for clonal plant production leading to better quality of plants.

Cost Reduction

 - Reduced dependence on imported pulp
 - Reduced energy consumption
 - Increased fiber and filler retentions

- Final success percentage of Clonal Plant production through mist chamber routes enhanced from 62 to 71% leading to reduction in cost of production per plant.
- Product Development**
- Blister compatible recycled and virgin fiber boards
 - Barrier coated boards
 - Saphire graphic (SBS) with superior brightness and whiteness levels
 - Coated liquid packaging board
 - Writing and printing paper with 100% recycled fiber
- Import Substitution**
- New products introduced by the Company contributes to reduced imports by the customers.
- Imported Technology**
 - Technology imported - nil
 - Year of import - not applicable
 - Has technology been fully absorbed? - not applicable
 - If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action - not applicable.

On behalf of the Board

P. Dhobale Managing Director
P. K. Talwar Director - Finance

Kolkata, 18th May, 2001

Statement of particulars of Employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 and forming part of the Directors' Report for the financial year ended 31st March, 2001.

Name	Age	Qualification	Designation/ Nature of Duties	Date of Commencement of employment	Experi- ence (years)	Remuneration Received/Receivable Rs.	Previous Employment
Employed throughout the financial year							
Dar C	45	B.Tech (Hons), P.G.D.M.	Director-Marketing	06/07/1998	22	13,35,031	V.P. Opportunities Tech Dev (I.T.C. Ltd.) 1981-98
Dhobale P	45	B.Tech (Chem)	Managing Director	01/07/1977	23	15,91,788	—
Talwar P K	53	B.Sc., FCA	Director-Finance	26/06/1989	29	15,34,967	President, Nagarjuna Hire Purchase Ltd. 1987-89

Notes:

- All appointments are contractual.
- None of the employees is a relative of any Director of the Company.
- Remuneration received/receivable includes salary, dearness allowance, Company's contribution to provident fund, gratuity and pension, medical expenses, leave travel assistance, rent allowance paid for providing residential accommodation and, where it is not possible to ascertain the actual expenditure incurred by the Company in providing a perquisite, the monetary value of that perquisite has been calculated in accordance with the provisions of the Income Tax Act, 1961 and the Rules made thereunder.
- No employee of the Company came within the purview of the provisions of Section 217 (2A) (a) (iii) during the year.

On behalf of the Board

P. Dhobale Managing Director
P.K. Talwar Director - Finance

Kolkata, 18th May, 2001

ANNEXURE TO REPORT OF THE DIRECTORS

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

I. Industry structure and developments

The annual demand for paperboards in India is, presently, estimated at 7.5 lakh tonnes. The demand growth in the previous year ended 31st March, 2001 was @ 6%, and this rate of growth is expected to continue in the coming decade. The domestic paperboard industry is fragmented with approximately 100 players constituting the industry's 1 million tonne installed capacity. A major portion of the capacity is obsolete and only a few mills are capable of delivering products of contemporary quality. With modernisation in packaging lines and converting equipment, coupled with radical changes in distribution and retail practices, quality is increasingly becoming a key differentiator.

Over the last three years, your Company has been engaged in repositioning itself to make a successful transition from a regulated and protected regime to a globalised marketplace. Faced with technology that was becoming obsolete and products that were not aligned to customer requirements, your Company had to modernise its mill and upgrade its capabilities in order to be able to compete effectively. This entailed an investment of Rs.675 crores to enable operations of an economic scale with sustainable competitiveness. Today, your Company's integrated mill with an annual production of over 2 lakh tonnes is the largest in India's paperboard segment. Your Company is the most contemporary paperboard manufacturer in India, thereby providing a distinct competitive advantage.

II. Opportunities and Threats

India offers considerable opportunity for growth in paperboards. India's per capita consumption of paperboard, at 0.75 kg., is amongst the lowest in the world and is less than 1/7th the global average. This presents significant potential for continued demand growth for products with attractive and reliable packaging. The increasing sophistication of the Indian consumer and the recognition of the role of superior packaging in communicating value will rapidly increase the demand for premium coated boards. Your Company, with its strategic investments in technology and human resources, is best positioned to meet rising quality aspirations caused by such a shift to higher quality packaging. Expectations of progressive declines in customs duty rates over the next few years could increase the level of imports of paperboards into India. However, your Company, with its inherent strengths of product quality and versatility to meet customers' individual specifications and requirements and thus provide better value, is well poised to not only meet such an eventuality, but to also become a major force in the Asian region.

In order to strengthen the competitiveness of the Indian paper and paperboard industry, certain infrastructural infirmities would need to be addressed, particularly relating to fibre and energy. A supportive fibre policy, linked to productive utilisation of degraded forestlands by facilitating industrial plantations, would enable the industry to reduce its raw material cost significantly. Your Company has, over the years, pursued an aggressive fibre propagation strategy which comprises making available in-house developed high yielding clones of the desired pulp-wood species, together with extension services, to farmers engaged in plantation of pulp-wood on their marginal lands. The quality of your Company's eucalyptus clone, a product of its biotechnology-based research programme, has been tested for its effectiveness over the last nine years in more than 6000 hectares of plantations. Your Company in collaboration with its holding company, I.T.C. Limited, in partnership with the Government of Andhra Pradesh, and with the involvement of Vana Samrakshana Samithis, has proposed a clonal propagation programme, envisaging planting of high-yielding, disease-resistant clonal saplings on degraded forest lands in the command areas of the mill. Upon successful implementation, this initiative, apart from contributing to your Company's competitiveness, also carries the potential of generating significant employment in the backward regions of Andhra Pradesh and contributing to the greening of the State and the associated restoration of ecological balance. The paper industry being energy intensive, your Company's energy management expertise is a source of distinct competitive advantage in the Indian market, with nearly 95% of the Mill's energy requirements being met by captive generation. However, its energy cost falls short of international standards. Your Company trusts that the State Government will evolve policies to encourage private initiative to augment energy supply, and not pursue the proposal to levy a cess on captive generated power, as is being mooted in some quarters.

III. Segment-wise performance or product-wise performance

Your Company, presently, operates in one business segment, viz., paper and paperboards, and two geographic segments - domestic and exports.

Your Company is focused on creating value for its customers by leveraging its technical, technological and customer relationship management expertise to significantly enhance its position of leadership. Over the last couple of years, your Company has developed several value added products for the

packaging and the graphic segments of the market. These have enabled it to not only service the requirements of high value paperboards in India, but also to develop a significant presence in select markets across Asia. Several of your Company's value added products have been branded and have replaced high quality paperboard hitherto imported into India.

iv. Outlook

This has been dealt with in the Report of the Board of Directors.

v. Risks and concerns

Your Company, with its revenue flowing largely from the Indian market, is exposed to fluctuations in the Indian economy. However, its market standing and product quality, coupled with a wide range of products, markets (both domestic and exports) and customers, enable it to compete effectively in the marketplace.

Your Company currently has to import raw materials to maintain the quality of its value added products. These raw materials are subject to cyclical price and exchange rate fluctuations. To offset this, your Company is embarking upon a pulp mill expansion and modernisation programme, which is expected to significantly reduce dependence on imports. Further, the fibre propagation strategy described earlier is also expected to improve access to cost effective fibre. Besides, growing exports will also provide a natural currency hedge.

vi. Internal control systems and their adequacy

Your Company has an adequate system of internal control, which ensures that transactions are authorised, recorded and reported correctly apart from safeguarding its assets against loss from wastage, unauthorised use and removal.

In order to ensure that the financial and other records are reliable, and for maintaining accountability for assets, the internal control system is supplemented by documented policies, guidelines and procedures and an extensive programme of internal audit review by the management.

The corporate governance guidelines of your Company require operating policies of each function to be approved by the Corporate Executive Committee constituted by the Board of Directors. To facilitate adherence and monitoring, your Company has an independent Internal Audit Department, reporting to the Audit Committee, which is a sub-committee of the Board of Directors. This Committee reviews the functioning and the findings of the Internal Audit Department.

In addition, the control systems are further subject to audit by the internal audit department of the Holding Company. Your Company's statutory auditors have, in their report, confirmed the adequacy of the internal control procedures.

vii. Discussion on financial performance with respect to operational performance

This has been dealt with in the Report of the Directors.

viii. Material developments in Human Resources/Industrial Relations front, including number of people employed

Your Company has always recognised people as its key resource. Its workforce of 2100 employees is highly motivated and is the driving force behind your Company's leadership in the industry.

Customer focus and total quality are the key themes that integrate the human resources practices of your Company. Several initiatives, such as quality improvement projects, ISO 9000 and 14000, inculcation of the balanced score card approach and a participative planning and strategy formulation process have helped to improve involvement and alignment amongst the employees.

Your Company fosters a culture of learning and has for this purpose created "Bhadranet" a corporate intranet site, which has developed into a powerful interactive communication and knowledge dissemination medium.

Your Company enjoys harmonious industrial relations and has just concluded a long-term agreement with its unionised employees, revising the terms and conditions of their service, which lays stress on productivity of resources and rationalisation of manpower.

On behalf of the Board

P. Dhobale Managing Director
P. K. Talwar Director - Finance

Kolkata, 18th May, 2001

ITC BHADRACHALAM PAPERBOARDS LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We report that we have audited the Balance sheet of ITC Bhadrachalam Paperboards Limited as at March 31, 2001 and the relative Profit and Loss Account for the year ended on that date both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account.

In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the notes attached thereto and the Statement on Significant Accounting Policies give in the prescribed manner the information required by The Companies Act, 1956 and also give respectively, a true and fair view of the state of the Company's affairs as at March 31, 2001 and its profit for the year ended on that date.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as appears from our examination of the books.

In our opinion these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211(3C) of the Companies Act, 1956.

On the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the director is disqualified as on March 31, 2001 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:

1. The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company have been physically verified by the Management and no material discrepancies between the book records and the physical inventory were noticed.
2. The fixed assets of the Company have not been revalued during the year.
3. In respect of finished goods, stores, spare parts, and raw materials of the Company excluding stocks in transit and lying with third parties, physical verification has been conducted by the Management at reasonable intervals during the year. Stocks lying with third parties have been verified by the Management with reference to certificates obtained from them and/or other relevant documents in majority of the cases.
4. In our opinion, the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
5. The discrepancies noticed on the physical verification of stocks as compared to book records, which were not material, have been properly dealt with in the books of account.
6. In our opinion, the valuation of stocks is fair and proper in accordance with normally accepted accounting principles in India and is on the same basis as in the preceding year.
7. The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section 370 are not applicable to the company.
8. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section 370 are not applicable to a company.

9. The parties to whom the loans or advances in the nature of loans have been given are repaying the principal amounts as stipulated and interest regularly where applicable, other than the loan given to the Subsidiary Company and interest thereon.
10. In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. There are no contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and hence requirement of reporting regarding transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of such contracts aggregating during the year to Rs. 50,000/- or more in respect of each party does not arise.
12. The Company has a system of determining unserviceable or damaged stores, raw materials or finished goods on the basis of technical evaluation and on such basis, in our opinion, adequate provision for the loss has been made in the accounts.
13. In the cases of public deposits accepted by the Company, the directives issued by the Reserve Bank of India and the provision of Section 58A of the Companies Act, 1956 and the Rules framed thereunder, where applicable, have been complied with.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap, where applicable and significant. There are no by-products resulting from the manufacturing processes of the Company.
15. In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
16. The Central Government of India has prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for the products of the Company and the Company has maintained the prescribed records. The accounts have been made upto March 31, 2000. However, we are not required to and have not carried out any detailed examination of such accounts and records.
17. The Company has regularly deposited, during the year, Provident Fund and Employees' State Insurance dues (in respect of its Cast Coating Plant at Bollaram) with the appropriate authorities in India. The Company's application for exemption from Employees' State Insurance Scheme (other than Cast Coating Plant at Bollaram) has been rejected and the Company is contesting such rejection with the appropriate authorities.
18. At the last day of the financial year there was no amount outstanding in respect of undisputed Income Tax, Wealth Tax, Customs Duty, Excise Duty and Sales Tax which were due for more than six months from the date they became payable.
19. During the course of our examination of the books of accounts carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of such case by the Management other than those payable under contractual obligations or normally accepted business practices.
20. The Company is not a Sick Industrial Company within the meaning of Clause (o) of sub-section (i) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 of India.

For Lovelock & Lewes
Chartered Accountants

S. Gopalakrishnan
Partner

Hyderabad, May 18, 2001

CERTIFICATE

To
The Members of ITC Bhadrachalam Paperboards Limited,
Secunderabad,

We have examined the compliance of conditions of corporate governance by ITC Bhadrachalam Paperboards Limited, for the year ended 31st March, 2001, as stipulated in Clause 49 of the Listing Agreement of the company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to

us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Share, Debenture and Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Lovelock & Lewes,
Chartered Accountants

S. Gopalakrishnan
Partner

Kolkata, May 18, 2001

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING ASSUMPTIONS

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual including provisions/adjustments for committed obligations and amounts determined as payable or receivable during the year.

FIXED ASSETS

Fixed Assets are accounted at cost of acquisition inclusive of inward freight, duties and taxes and incidentals related to acquisitions. In respect of major projects involving construction, relative pre-operative expenditure forms a part of the assets capitalised. Assets under installation or under construction as at the Balance Sheet date are shown as Capital work-in-progress.

Depreciation is provided for in the accounts on straight-line method at the rates computed in accordance with Section 205(2)(b) of the Companies Act, 1956, and in accordance with Schedule XIV of the Companies Act, 1956, except for Plant and Machinery for which specified period has been recomputed as per the revised rates in Schedule XIV and depreciation charge calculated by allocating the unamortised value over the remaining part of the recomputed specified period. Rates in respect of Vehicles, other Equipment and certain Furniture & Fixtures are determined on the basis of useful life of the assets estimated by the Management, which are not less than the rates prescribed in the Companies Act, 1956.

INVESTMENTS

To state current investments at lower of cost and fair value; and long-term investments at cost. Where applicable, provision is made where there is a permanent fall in valuation of long-term investments. Income from investments is recognised in the accounts in the year in which it is accrued and stated at gross values.

INVENTORIES

Inventories are valued at cost or below. Cost is computed on the basis of weighted mean cost per unit of measurement after taking into account receipts at actual cost and accounting for consumption and/or other stock diminution at the aforesaid weighted mean cost. In the case of work-in-progress and finished goods, cost comprises material, direct labour and factory overhead expenses.

Goods in transit/with third parties are valued at cost which represents the costs incurred upto the stage at which the goods are in transit.

Inventories of standing plantation intended for captive use included in work-in-progress are valued at cost representing material, labour, interest and other overheads.

DEFERRED REVENUE EXPENDITURE

All expenditure, the benefit of which is spread over a number of years, are grouped under miscellaneous expenditure and will be amortised over subsequent years, on the basis of benefit derived in each year.

FOREIGN EXCHANGE CONVERSION

Export sales in foreign currency are accounted at the exchange rate prevailing on the date of sale. Gain/Loss arising out of fluctuations in exchange rates are accounted for on realisation. Current Assets and Current Liabilities are translated at the rate prevailing on Balance Sheet date and the resultant gain/loss is recognised in the Financial Statements.

The original cost of Fixed Assets acquired through foreign currency loans at the end of each financial year is adjusted for any change in liability arising out of expressing the outstanding foreign loan at the rate of exchange prevailing at the date of the Balance Sheet.

RESEARCH AND DEVELOPMENT

Expenditure pertaining to Research & Development is charged to revenue in the year in which it is incurred. In respect of research and development cost of specified projects, these are allocated on a systematic basis to future accounting periods by reference to the estimated benefit derived from the product or process.

PAYMENTS AND BENEFITS

Regular contribution made to various provident funds, pension funds and gratuity funds are charged to revenue each year.

ITC BHADRACHALAM PAPERBOARDS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2001

	Schedule Reference	(Rs. lakhs)	2001 (Rs. lakhs)	2000 (Rs. lakhs)
I. SOURCES OF FUNDS :				
1. Shareholders' Funds				
(a) Capital	1	1,13,45.98		1,13,45.97
(b) Reserves and Surplus	2	3,12,10.31	4,25,56.29	2,77,20.89
2. Loan Funds				3,90,66.86
(a) Secured Loans	3	3,45,44.54		1,35,63.01
(b) Unsecured Loans	4	56,66.33	4,02,10.87	2,92,30.37
			8,27,67.16	4,27,93.38
				8,18,60.24
II. APPLICATION OF FUNDS :				
1. Fixed Assets	5			
(a) Gross Block		8,50,14.98		8,29,23.48
(b) Depreciation		2,15,76.19		1,77,69.13
(c) Net Block		6,34,38.79		6,51,54.35
(d) Capital work-in-progress		33,79.38	6,68,18.17	20,98.21
			42,96.38	6,72,52.56
2. Investments	6			46,32.70
3. Current Assets, Loans and Advances				
(a) Inventories	7	88,56.45		97,62.80
(b) Sundry Debtors	8	59,20.09		56,18.36
(c) Cash and Bank Balances	9	53.25		21.94
(d) Loans and Advances	10	78,45.27		68,19.38
		2,26,75.06		2,22,22.48
Less:				
Current Liabilities and Provisions	11			
(a) Current Liabilities		59,57.64		72,69.47
(b) Provisions		52,37.62		52,37.62
		1,11,95.26		1,25,07.09
Net Current Assets			1,14,79.80	97,15.39
4. Miscellaneous Expenditure	12		1,72.81	2,59.59
			8,27,67.16	8,18,60.24
Notes on Balance Sheet	13			

Schedules 1 to 13 and Statement on Significant Accounting Policies form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our Report of even date.

For Lovelock & Lewes
Chartered Accountants
S. Gopalakrishnan
Partner

Kolkata, 18th May, 2001

On behalf of the Board

P. Dhobale Managing Director
P.K. Talwar Director - Finance
N. Ramakrishnan Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

	Schedule Reference	2001 (Rs. lakhs)	2000 (Rs. lakhs)
I. INCOME			
Sales	14	6,10,63.60	4,43,85.02
Other Income	15	12,76.30	13,24.99
		6,23,39.90	4,57,10.01
II. EXPENDITURE			
Payments and benefits to employees	16	30,52.06	24,75.84
Manufacturing expenses	17	3,71,93.40	2,83,37.84
Excise duty		76,28.01	51,56.46
Administration, selling and other expenses	18	26,89.91	19,82.49
		5,05,63.38	3,79,52.63
III. GROSS OPERATING PROFIT		1,17,76.52	77,57.38
Interest and finance charges	19	41,84.65	67,16.85
Provision for Contingencies		—	2,00.00
IV. PROFIT BEFORE DEPRECIATION, AMORTISATION, TAXATION ETC.		75,91.87	8,40.53
Provision for depreciation		40,56.84	39,95.91
Amortisation of miscellaneous expenditure		45.75	56.92
V. PROFIT/(LOSS) BEFORE TAXATION		34,89.28	(32,12.30)
Provision for taxation		—	—
VI. PROFIT/(LOSS) AFTER TAXATION		34,89.28	(32,12.30)
Surplus/(Deficit) brought forward from previous year		(1,56,45.43)	(1,24,33.13)
Available Surplus/(Deficit) carried to Balance Sheet		(1,21,56.15)	(1,56,45.43)

Notes on Profit and Loss Account 20

Schedules 14 to 20 and Statement on Significant Accounting Policies form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our Report of even date.

For Lovelock & Lewes
Chartered Accountants
S. Gopalakrishnan
Partner

Kolkata, 18th May, 2001

On behalf of the Board

P. Dhobale Managing Director
P.K. Talwar Director - Finance
N. Ramakrishnan Company Secretary

ITC BHADRACHALAM PAPERBOARDS LIMITED

SCHEDULES TO THE BALANCE SHEET

1. CAPITAL	2001		2000	
	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)
AUTHORISED				
10,00,00,000 Equity Shares of Rs. 10/- each (2000-10,00,00,000)	1,00,00.00		1,00,00.00	
50,00,000-11% Cumulative Redeemable Preference Shares of Rs. 100/- each (2000-50,00,000)	50,00.00	1,50,00.00	50,00.00	1,50,00.00
ISSUED AND SUBSCRIBED				
8,78,31,578 Equity Shares of Rs. 10/- each fully paid-up (2000-8,78,31,578)		87,83.16		87,83.16
Of the above, 2,64,27,923 shares were allotted as fully paid-up shares by capitalising Capital Reserve, Capital Redemption Reserve and Share Premium.				
Of the above, 68,55,885 Equity Shares of Rs. 10/- each fully paid-up issued to Financial Institutions/Debenture holders on part/full conversion of Loans/Debentures.				
CALLS IN ARREARS		(9.18)		(9.19)
25,72,000-11% Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid-up (2000 - 25,72,000) which are redeemable on 23rd December, 2005.		25,72.00		25,72.00
		1,13,45.98		1,13,45.97
5,26,66,615 (2000-4,86,66,617) Equity Shares of Rs. 10/- each fully paid-up are held by the Holding Company - I.T.C. Limited and its wholly owned subsidiary.				
25,72,000 11% Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid-up are held by the Holding Company - I.T.C. Limited.				
2. RESERVES AND SURPLUS				
Capital Reserve		15.00		15.00
Share Premium Account:				
As at the commencement of the year	3,26,63.11		3,26,62.68	
Add : Received during the year	0.14	3,26,63.25	0.43	3,26,63.11
Debenture Redemption Reserve		6,72.50		6,72.50
Contingency Reserve		3,05.15		3,05.15
General Reserve		97,10.56		97,10.56
Balance in Profit and Loss Account		(1,21,56.15)		(1,56,45.43)
		3,12,10.31		2,77,20.89
3. SECURED LOANS				
Debentures :				
Non-Convertible Debentures				
18% 4,00,000 (2000-4,00,000) Secured Redeemable Non-Convertible Debentures of Rs. 100/- each which are redeemable at a premium of 5% in 5 equal annual instalments commencing 15th February, 1997.	4,00.00		4,00.00	
Out of the above, amount redeemed	4,00.00	—	3,20.00	80.00
15% 1,200 (2000-1,200) Secured Redeemable Non-Convertible Debentures of Rs. 5,00,000/- each which are redeemable in 3 annual instalments of 33%, 33% and 34% respectively commencing 7th November, 2000.	60,00.00		60,00.00	
(Privately placed with Financial Institutions, Mutual Funds, Banks etc.)				
Out of the above, amount redeemed (586 Debentures) ahead of schedule in the year 1999-2000.	29,30.00		29,30.00	
Out of the above, amount redeemed	10,13.10	20,56.90	—	30,70.00
11.90% 1,200 (2000-1,200) Secured Redeemable Non-Convertible Debentures of Rs. 5,00,000/- each which are redeemable at par in 5 equal annual instalments commencing 8th December, 2000 with a call option on 8th December, 2002 and 8th December, 2003.	60,00.00		60,00.00	
(Privately placed with Mutual Funds and Banks)				
Out of the above, amount redeemed	12,00.00	48,00.00	—	60,00.00
Secured by joint mortgage by deposit of title deeds relating to the Company's immovable properties, and further by deeds of hypothecation in respect of the Company's plant & machinery including movable machinery, machinery spares, tools and accessories. Security in respect of the above debentures will rank pari passu with charges created in favour of other lenders. 11.90% Debentures are further secured by a guarantee from the Holding Company.				
Term Loans :				
From Banks				
Secured by joint mortgage by deposit of title deeds relating to the Company's immovable properties, and further by deeds of hypothecation in respect of movable properties, present and future, excluding those hypothecated in favour of banks for securing cash credit and bill discounting facilities and machinery obtained on finance loans on which there is a second charge.		—		26,29.20
From Holding Company				
To be secured by mortgage and first charge on the Company's immovable properties, and further secured by deeds of hypothecation in respect of plant and machinery, including movable machinery, movable spares, tools and accessories, ranking pari passu with the mortgage and charges created in favour of other lenders.		2,26,00.00		—

ITC BHADRACHALAM PAPERBOARDS LIMITED

SCHEDULES TO THE BALANCE SHEET (Contd.)

3. SECURED LOANS (CONTD.)

	2001		2000	
	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)
Secured by hypothecation of specific items of plant and machinery		26,00.00		—
Export Packing Credit from Banks	15,13.04		8,29.80	
Cash Credit from Banks	9,62.41		9,51.35	
Interest accrued and due	12.19	24,87.64	2.66	17,83.81
Secured by hypothecation of all stocks of raw materials, stores, stock in process, stock in trade, book debts and bills receivable				
		<u>3,45,44.54</u>		<u>1,35,63.01</u>

4. UNSECURED LOANS

	2001	2000
	(Rs. lakhs)	(Rs. lakhs)
Fixed Deposits (including Rs. 42.68 lakhs unclaimed – 2000 - Rs. 70.75 lakhs)	13,43.47	32,16.63
Short Term :		
From Banks		
10.50% 50,00,000 Unsecured Redeemable Non-Convertible Debentures of Rs. 100/- each which are redeemable on 7th June, 2000 secured by a guarantee from the Holding Company – I.T.C. Limited	—	50,00.00
11.25% 15 Unsecured Redeemable Non-Convertible Debentures of Rs. 1,00,00,000/- each which are redeemable on 10th March, 2001 secured by a guarantee from the Holding Company – I.T.C. Limited	—	15,00.00
Rupee Term Loan		
Secured by a guarantee from the Holding Company – I.T.C. Limited	—	85,00.00
Other than Banks		
Short Term Inter Corporate Loan	—	88,50.00
Other than short term :		
Interest free sales tax loan from State Government	22,59.94	10,47.35
Security Deposits	19,39.70	9,97.14
Interest accrued and due	1,23.22	1,19.25
	<u>56,66.33</u>	<u>2,92,30.37</u>

5. FIXED ASSETS

	Freehold Land	Buildings	Plant & Machinery	Other Equipment	Furniture & Fixtures	Vehicles	Total 2001	Total 2000
	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)
COST								
As at 31st March, 2000	1,69.17	95,99.69	7,11,62.17	4,99.47	13,87.85	1,05.13	8,29,23.48	8,16,57.48
Additions/Adjustments	—	47.57	23,17.37	—	1,03.38	34.07	25,02.39	16,55.21
	1,69.17	96,47.26	7,34,79.54	4,99.47	14,91.23	1,39.20	8,54,25.87	8,33,12.69
Withdrawals/Adjustments	—	9.16	3,75.32	—	19.30	7.11	4,10.89	3,89.21
GROSS BLOCK								
As at 31st March, 2001	1,69.17	96,38.10	7,31,04.22	4,99.47	14,71.93	1,32.09	8,50,14.98	8,29,23.48
PROVISION FOR DEPRECIATION								
As at 31st March, 2000	—	12,64.82	1,52,32.84	4,94.47	7,20.00	57.00	1,77,69.13	1,39,00.48
For the year	—	2,80.53	36,36.37	—	1,22.26	17.68	40,56.84	39,95.91
	—	15,45.35	1,88,69.21	4,94.47	8,42.26	74.68	2,18,25.97	1,78,96.39
Withdrawals	—	2.75	2,31.89	—	8.48	6.66	2,49.78	1,27.26
As at 31st March, 2001	—	15,42.60	1,86,37.32	4,94.47	8,33.78	68.02	2,15,76.19	1,77,69.13
NET BLOCK								
As per Balance Sheet as at 31st March, 2000	1,69.17	80,95.50	5,44,66.90	5.00	6,38.15	64.07	6,34,38.79	6,51,54.35
	1,69.17	83,34.87	5,59,29.33	5.00	6,67.85	48.13	6,51,54.35	—
Capital Work in Progress at cost (Refer Note 7 of Schedule 13)							*33,79.38	20,98.21

Plant & Machinery includes fluctuations in the rates of foreign exchange Rs. 15,58.30 lakhs upto 31st March, 2001 (2000 - Rs. 14,60.97 lakhs)

*Capital Work in Progress includes fluctuation on foreign exchange up to 31st March, 2001 – Rs. 9.25 lakhs (2000 - Rs. 5.75 lakhs)

Buildings include cost of Building on leasehold land - Rs. 26.02 lakhs

ITC BHADRACHALAM PAPERBOARDS LIMITED

SCHEDULES TO THE BALANCE SHEET (Contd.)

	2001 (Rs. lakhs)	2000 (Rs. lakhs)	2001 (Rs. lakhs)	2000 (Rs. lakhs)
6. INVESTMENTS				
UNQUOTED (AT COST)				
LONG TERM :				
Trade Investments				
Andhra Pradesh Gas Power Corporation Limited 8,04,000 Equity Shares of Rs. 10/- each fully paid-up (5,36,000 Equity Shares sold during the year)	2,31.75	3,86.26		
Cuffe Parade Sealord Co-operative Housing Society Limited 10 Shares of Rs. 50/- each fully paid-up (2001-Rs. 500/-, 2000-Rs. 500/-)	...	...
Tulsiani Chambers Premises Co-operative Society Limited 5 Shares of Rs. 50/- each fully paid-up (2001-Rs. 250/-, 2000- Rs. 250/-)	...	...
Bhadrachalam Biotech Limited 1 Equity Share of Rs. 10/- each fully paid-up (2001-Rs. 10/-, 2000-Rs. 10/-)	...	...
Other than trade investments				
Government/Trust Securities :				
Unit Trust of India - 36,14,213 units of US'64 of Rs. 10/- each fully paid-up	5,02.40	5,02.40		
Unit Trust of India - 50,000 units of US'95 of Rs. 100/- each fully paid-up	51.83	51.83		
Indian Railway Finance Corporation Limited Nil - 9% (tax-free) secured redeemable Non-Convertible Bonds of face value of Rs. 1,000/- each fully paid-up (20,000 bonds redeemed during the year)	—	1,80.23		
Unit Trust of India - Venture Capital 1990 1,120 Units of Rs. 100/- each fully paid-up (1,120 units redeemed during the year)	1.12	2.24		
VII Year National Savings Certificates (Deposited with Government authorities)	0.02	0.02		
Others :				
APIDC - Venture Capital Fund, 1990 926 Units of Rs. 1,000/- each fully paid-up	9.26	9.26		
Subsidiary Company :				
BFIL Finance Limited - 1,99,99,994 Equity Shares of Rs. 10/- each fully paid-up	20,00.00	20,00.00		
15,00,000 - 18.5% Non-Convertible Debentures of Rs. 100/- each renewed at 0%	15,00.00	15,00.00		
CURRENT :				
Other than trade investments				
Government/Trust Securities :				
Unit Trust of India-Money Market Fund (2,26,25,686 Units of Rs. 10/- each acquired during the year and 2,26,27,844 Units sold during the year)	—	0.28		
Others :				
Prudential ICICI - Liquid Plan (1,69,43,622 Units of Rs. 10/- each acquired during the year and 1,69,45,166 Units sold during the year)	—	0.18		
	42,96.38	46,32.70		
7. INVENTORIES				
(Stock in trade at the lower of cost or net realisable value and others at average cost or below)				
Raw Materials	30,24.38	40,02.45		
Stores and spare parts	22,88.89	23,95.68		
Stock in trade @	29,81.73	27,28.17		
Stock in process	5,32.72	6,07.55		
Plantations in Progress	28.73	28.95		
	88,56.45	97,62.80		
@ Includes stocks relating to trial production				
8. SUNDRY DEBTORS				
	2001 (Rs. lakhs)	2000 (Rs. lakhs)	2001 (Rs. lakhs)	2000 (Rs. lakhs)
Trade Debtors :				
Secured :				
Not over six months old - considered good	4,32.16	3,54.81		
Over six months old - considered good	3,80.06	3,69.07		7,23.88
Unsecured :				
Not over six months old - considered good	48,37.67	44,18.63		
Over six months old - considered good	1,91.28	4,75.70		
- considered doubtful	2,48.43	52,77.38		
	60,89.60	57,53.36		
Less : Provision for doubtful debts	2,48.43	1,35.15		
	58,41.17	56,18.21		
Other Debtors (Unsecured) :				
Not over six months old - considered good	78.92	0.15		
Over six months old - considered good	—	78.92		0.15
	59,20.09	56,18.36		
9. CASH AND BANK BALANCES				
	2001 (Rs. lakhs)	2000 (Rs. lakhs)	2001 (Rs. lakhs)	2000 (Rs. lakhs)
Cash on hand	4.14	5.72		
Balances with Scheduled Banks	38.98	5.01		
Unpaid dividend accounts	9.30	10.50		
Preference share redemption account	0.07	0.07		
Remittances in transit	0.76	0.64		
	53.25	21.94		
10. LOANS AND ADVANCES - UNSECURED				
Advances with Government and Public Bodies, etc., - considered good	6,06.75	7,22.71		
Advances recoverable in cash or in kind or for value to be received *				
- considered good	22,13.03	16,69.13		
Loans to subsidiary - considered good	37,24.11	37,24.11		
Taxation - Advance payments less provisions	12,41.89	6,74.00		
Interest accrued on Investments/Deposits, etc., - considered good	59.49	29.43		
	78,45.27	68,19.38		
* Advance to Directors/Officers - Rs. 16.44 lakhs (2000 - Rs. 17.61 lakhs) Maximum indebtedness during the year was Rs. 17.61 lakhs (2000 - Rs. 18.53 lakhs)				
11. CURRENT LIABILITIES AND PROVISIONS				
A. Current Liabilities :				
Acceptances	1,19.09	2,49.70		
Sundry Creditors - Small scale industrial undertakings - Others	86.29	1,24.60		
	50,17.93	57,96.64		
Unclaimed dividends	9.89	11.09		
Preference share redemption account	0.07	0.07		
Other liabilities	3,42.04	2,00.30		
Interest accrued but not due on loans	3,82.33	7,53.65		
Interest equalisation	—	1,33.42		
	59,57.64	72,69.47		
B. Provisions :				
Contingencies	2,37.62	2,37.62		
Provision - Subsidiary	50,00.00	50,00.00		
	52,37.62	52,37.62		
12. MISCELLANEOUS EXPENDITURE				
DEFERRED EXPENSES (To the extent not written off or adjusted)				
Farm Forestry	—	40.95		
Funds mobilisation expenses	—	4.80		
Renewals/Replacements	1,72.81	2,13.84		
	1,72.81	2,59.59		
13. NOTES ON BALANCE SHEET				
1. Claims against the Company not acknowledged as debts Rs. 2,11.38 lakhs (2000 - Rs. 2,35.34 lakhs).				
2. Contingent liabilities :				
(a) Customers' bills discounted : Rs. 9,80.66 lakhs (2000 - Rs. 8,34.06 lakhs)				
(b) Guarantees outstanding : Rs. 3,82.09 lakhs (2000 - Rs. 5,87.68 lakhs)				
(c) Sales-tax/Excise/Income-tax matters under dispute : Rs. 45,41.57 lakhs (2000 - Rs. 41,65.84 lakhs)				
(d) Royalty under dispute : Rs. 2,15.98 lakhs (2000 - Rs. 2,15.98 lakhs)				
(e) Employees State Insurance matter under dispute : Rs. 1,99.00 lakhs (2000 - Rs. 1,99.00 lakhs)				
3. Dividend in arrears on 11% Cumulative Redeemable Preference Shares : Rs. 6,42.58 lakhs (2000 - Rs. 3,59.66 lakhs)				
4. Estimated amount of contracts remaining to be executed on capital accounts not provided for Rs. 32,50.05 lakhs (2000 - Rs. 4,13.23 lakhs)				
5. Exchange difference in respect of forward exchange contracts to be charged or capitalised in subsequent accounting period amounts to Rs. 0.35 lakhs (2000 - Rs. 2.45 lakhs)				
6. Sundry Creditors - Small scale industrial undertakings include the following amounts exceeding Rs. 1 lakh and outstanding for more than 30 days:				
	2001 (Rs. lakhs)	2000 (Rs. lakhs)		
Name of the party				
Sri Lakshmi Industries	—	1.61		
Sabhitri Precision Engg. Works	—	1.41		
Total	—	3.02		

ITC BHADRACHALAM PAPERBOARDS LIMITED

13. NOTES ON BALANCE SHEET (Contd.)

	2001 (Qty.)	(Rs. lakhs)	2000 (Qty.)	(Rs. lakhs)
7. Capital Work in Progress includes PRE-OPERATIVE EXPENSES & TRIAL RUN EXPENSES				
Raw materials consumed				
-Bamboo	175	6.16	—	—
-Wood	630	13.21	—	—
-Others		79.57	—	—
Power and fuel		19.20	0.20	—
Consumption of stores and spares		9.55	—	—
Salaries, wages & bonus		54.03	1.10	—
Insurance		20.02	16.33	—
Travelling and conveyance		52.55	2.89	—
Freight		0.52	0.51	—
Repairs and maintenance		10.25	—	—
Interest & other finance charges		1,43.84	55.16	—
Consultancy fees		1,34.79	9.10	—
Excise duty etc.		13.04	0.98	—
Miscellaneous expenses		9.17	4.83	—
Total		5,65.90	91.10	—
Less : Sales (Net)	669	1,31.78	—	—
Stock in Trade	286	52.11	—	—
		3,82.01	91.10	—
Less : Transferred to Fixed Assets		33.74	53.37	—
		3,48.27	37.73	—

8. Comparative figures of the previous year, where necessary, have been regrouped to conform to those of the current year.

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	2001 (Rs. lakhs)	(Rs. lakhs)	2000 (Rs.lakhs)	(Rs.lakhs)
14. SALES				
Paper, Paperboard and Others		6,44,27.68		4,69,07.99
Less:				
(a) Discounts and Rebates (net) (other than usual trade discount) - (2000 - Rs. 23,95.11 lakhs) including in respect of previous year/ provision no longer required written back - Rs.Nil (2000 - Rs. 15.49 lakhs)	30,88.89			
(b) Commission paid to export selling agents - (2000 - Rs. 1,27.86 lakhs)	2,75.19	33,64.08	25,22.97	
		6,10,63.60	4,43,85.02	

15. OTHER INCOME

Income from long-term investments (other than trade) - Gross (Income-tax deducted at source Rs. Nil - 2000 - Rs. Nil)	60.32	63.04
Profit/(Loss) on sale of :		
- long-term investments	4,28.32	4,97.06
- current investments	11.76	1,54.84
Gain on exchange fluctuations (net)	76.19	26.71
Sundry claims/Provision no longer required - written back	5,64.87	4,24.84
Miscellaneous Income	1,34.84	1,58.50
	12,76.30	13,24.99

16. PAYMENTS AND BENEFITS TO EMPLOYEES

Salaries, wages and bonus	25,47.91	19,57.21
Contribution to provident and other funds	2,79.17	2,60.28
Workmen and staff welfare expenses	2,24.98	2,58.35
	30,52.06	24,75.84

17. MANUFACTURING EXPENSES

Raw materials consumed- Including Rs. 58.66 lakhs on account of favourable foreign exchange fluctuation (2000 - Rs. 15.82 lakhs)	2,87,74.47	2,18,57.40
Consumption of stores and spare parts- Including stores discarded (net) - Rs. 32.46 lakhs (2000 - Rs. 30.53 lakhs)	34,17.51	29,72.93
(Increase)/Decrease in stocks:		
Opening stock:		
Stock in process	6,07.55	6,23.17
Stock in trade	27,28.17	11,99.79
Plantation in Progress	28.95	23.63
	33,64.67	18,46.59
Less: Closing stock		
Stock in process	5,32.72	6,07.55
Stock in trade	29,29.62	27,28.17
Plantation in Progress	28.73	28.95
	34,91.07	(1,26.40)
Handling charges		6,15.14
Power and fuel - Including stores consumed Rs. 34,32.35 lakhs (2000 - Rs. 35,07.87)	39,63.68	40,96.09
Plantation cultivation expenses	20.69	24.21
Repairs and maintenance:		
Buildings - including stores consumed Rs. 19.06 lakhs (2000 - Rs. 15.78 lakhs)	1,90.72	1,95.71
Plant and machinery - Including amortisation of renewals/replacements Rs. 85.58 lakhs (2000 - Rs. 1,21.51 lakhs)	3,37.59	5,02.32
	3,71,93.40	2,83,37.84

18. ADMINISTRATION, SELLING AND OTHER EXPENSES

Rent (net of recovery Rs. 7.72 lakhs - 2000 Rs. 6.57 lakhs)	1,28.81	1,13.44
Rates and taxes	86.22	57.28
Insurance	1,29.00	1,18.47
Travelling and conveyance	4,43.77	3,91.80
Postage, telephone, telex etc.	1,94.86	2,17.63
Printing and stationery	75.33	69.86
Advertisement and marketing	79.69	65.82
Repairs - others	94.28	85.82
Arboriculture and house keeping	19.24	15.61
Warehousing and shipping (net)	9,73.24	6,20.86
Security	54.82	46.81
Legal and professional charges	30.62	21.70
Doubtful and Bad debts/Advances	1,31.49	4.64
Fixed assets sold and discarded (net)	(10.25)	17.79
Directors' fees	1.60	1.52
Auditors' remuneration	5.71	5.62
Donations and contributions	0.57	0.43
Consultancy fee and expenses	98.65	49.83
Subscriptions	10.31	11.67
Training	29.95	18.95
Miscellaneous	1,12.00	46.94
	26,89.91	19,82.49

19. INTEREST AND FINANCE CHARGES

INTEREST AND FINANCE CHARGES	2001		2000	
	(Rs. lakhs)	(Rs. lakhs)	(Rs.lakhs)	(Rs.lakhs)
Interest on fixed loans	25,72.09		39,32.59	
Interest on debentures	11,26.98		12,66.46	
Interest on deposits	4,66.15		6,94.18	
Other interest	3,07.70		2,09.31	
Prepayment premium on debts	—		13,20.73	
Bank/other finance charges	1,25.23		1,53.69	
	<u>45,98.15</u>		<u>75,76.96</u>	
Less:				
Interest realised on loans, deposits, advances, trading debts through banks and others (Income-tax deducted at source Rs. 15.20 lakhs 2000 - Rs. 93.69 lakhs)	4,31.04		7,50.72	
Income from investments - other than trade (Gross)	<u>7.32</u>		<u>17.91</u>	
		41,59.79		68,08.33
Equipment leasing rent - net of lease rentals received Rs. Nil (2000 - Rs. 1,13.27 lakhs)		24.86		(91.48)
		<u>41,84.65</u>		<u>67,16.85</u>

20. NOTES ON PROFIT AND LOSS ACCOUNT

1. Taking into account BFIL Finance Limited's performance of debt recovery, property settlements from its debtors, and discussions with its bankers for settlement of dues, no further provision is considered necessary for the year ended 31st March, 2001 towards the exposure therein aggregating Rs. 72,24.11 lakhs.

2. Directors' remuneration in Schedules 16 and 18 includes :

	2001 (Rs. lakhs)	2000 (Rs. lakhs)
Salaries	34.80	18.25
Other benefits	21.17	11.45
Directors' fee	1.60	1.52
	57.57	31.22

3. Auditors' remuneration in Schedule 18 includes :

	2001 (Rs. lakhs)	2000 (Rs. lakhs)
Auditors:		
Audit fees and expenses	3.30	3.30
Fees for certification	2.16	2.07
	5.46	5.37
Cost Audit fees and expenses	0.25	0.25
	0.25	0.25

4. Raw materials consumed include:

Salaries, wages and bonus	0.85	1.11
Rent	0.10	0.57
Insurance	2.25	4.78
Vehicles running and maintenance	3.16	4.05

5. Research and Development expenditure incurred during the year is as under:

Revenue expenditure	2.75	5.60
Capital expenditure	8.62	32.93
	11.37	38.53

ITC BHADRACHALAM PAPERBOARDS LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. 01 - 01907 State Code 01
 Balance Sheet Date 31 03 01
 Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue Rights Issue
 Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds
(Amount in Rs. Thousands)

Total Liabilities Total Assets
 Sources of Funds
 Paid up Capital Reserves & Surplus**
 Secured Loans Unsecured Loans
 Application of Funds
 Net Fixed Assets Investments
 Net Current Assets Misc. Expenditure
 Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover Total Expenditure
 Profit/Loss before Tax Profit/Loss after Tax
 (Please tick the Appropriate box + for Profit, - for Loss)

Earnings Per Share in Rs.

Rs. 3.65

Dividend Rate %*

(Recommended)*

** Net of Accumulated Losses of Rs. 1,21,56,15 thousands.

V. Generic Names of Principal Products/Services of Company
(as per monetary terms)

Item Code No. 4802
 (ITC CODE)
 UNCOATED PAPER AND
 PAPERBOARD USED
 FOR WRITING AND
 PRINTING PURPOSES
 IN ROLLS OR SHEETS

Item Code No. 4804
 (ITC CODE)
 Product Description
 UNCOATED KRAFT-
 PAPER & PAPERBOARD
 IN ROLLS OR SHEETS

Item Code No. 4810
 (ITC CODE)
 Product Description
 PAPER & PAPERBOARD
 COATED ONE OR BOTH
 SIDES WITH KAOLIN

Item Code No. 47020000
 (ITC CODE)

Product Description
 PULP OF WOOD PULP
 SECTION IS AN
 INTEGRAL PART OF
 THE PLANT

On Behalf of the Board

P. Dhobale Managing Director
 P.K. Talwar Director - Finance
 N. Ramakrishnan Company Secretary

Kolkata, 18th May, 2001

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2001

A. CASH FLOW FROM OPERATING ACTIVITIES

	2001		2000	
	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)
Net Profit before Tax and Extraordinary Items		34,89		(32,12)
Adjustments for:				
-Depreciation	40,57		39,96	
-Amortisation of Deferred Revenue Expenditure	1,31		1,78	
-Interest (net)	41,85		67,17	
-Gain on sale of Investments	(4,28)		(4,97)	
-Investment Income	(72)		(2,18)	
-Loss on sale/write off of assets	(10)		18	
-Reinstatement of Foreign Currency Loan	—		12	
-Provision for Contingencies	—		2,00	
-Writeback of Provisions	(4,95)		(3,90)	
-Excise duty paid out of Modvat on capital goods	2,24		9,86	
Operating profit before working capital changes		75,92		1,10,02
Adjustments for:				
-Sundry Debtors	(3,02)		(15,66)	
-Inventories	9,06		(28,09)	
-Loans and advances	(2,63)		6,69	
-Current liabilities	(41)		6,61	
-Miscellaneous Expenditure	(45)		(64)	
		2,55		(31,09)
Cash generated from operations		1,13,36		46,81
Interest Paid		(2,68)		(2,88)
Interest Received		3,62		5,57
Direct taxes paid (net of refund received)		(5,68)		(2,98)
Net cash from operating activities		1,08,62		46,52
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets		(41,50)		(39,79)
Sale of fixed assets		76		13
Investment Income		72		2,18
Interest received		47		2,20
Sale of investments		7,65		8,92
Net cash used in investing activities		(31,90)		(26,36)

C. CASH FLOW FROM FINANCING ACTIVITIES

	2001		2000	
	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)	(Rs. lakhs)
Proceeds from issue of share capital				
Interest				
-Paid	(48,00)		(58,37)	
-Prepayment Premium	(1,33)		(13,21)	
-Equalisation Reserve - Paid		(49,33)	(12,24)	
Equipment leasing Rent - (Paid)/Received		(25)		91
Proceeds from borrowings				
-Long term - Inflow	2,86,40		67,96	
- Outflow	(81,67)		(3,09,37)	
-Short term - Inflow			2,38,50	
- Outflow	(2,38,50)			
-Bank borrowings for working capital (net)		(33,77)		(2,91)
Net cash used in financing activities		6,94		5,95
Net increase/(decrease) in cash and cash equivalents (A+B+C)		(76,41)		(79,87)
Cash and cash equivalents - opening balance		31		(59,71)
Cash and cash equivalents - closing balance		*22		*59,93
* Includes investments in Money Market Mutual Funds, which are freely encashable.		53		*22

Notes:

- a) Comparative figures of the previous year, where necessary, have been regrouped to conform to those of the current year.
 b) The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

On behalf of the Board

P. Dhobale Managing Director
 P.K. Talwar Director - Finance
 N. Ramakrishnan Company Secretary

Kolkata, 18th May, 2001

AUDITOR'S CERTIFICATE

The above Cash Flow Statement has been compiled from and is based on the audited accounts of ITC Bhadrachalam Paperboards Limited for the year ended 31 March, 2001 reported upon by us on May 18th, 2001. According to the information and explanation given together with Notes thereon, the aforesaid Cash Flow Statement has been prepared pursuant to Clause 32 of the Listing Agreement with Stock Exchanges and the reallocations required for the purpose are as made by the Company.

for Lovelock & Lewes
 Chartered Accountants
 S. Gopalakrishnan
 Partner

Kolkata, 18th May, 2001

REPORT OF THE DIRECTORS

Your Directors hereby present the Annual Report and Audited Accounts of the Company for the financial year ended 31st March, 2001.

	Year ended 31.03.2001 (Rs. Lakhs)	Year ended 31.03.2000 (Rs. Lakhs)
Gross operating profit	43.76	104.31
Less: Provisions on NPAs	—	208.85
Less: Interest and finance charges	509.17	23.65
Profit/(Loss) before depreciation, amortisation and taxation	(465.41)	(128.19)
Less: Depreciation and Amortisation	134.79	294.51
Profit/ (Loss) before Taxation	(600.20)	(422.70)
Less : Provision for Taxation	—	—
Profit/ (Loss) after Taxation	(600.20)	(422.70)
Brought forward from previous year	(8285.12)	(7862.42)
Transfer from general reserve	—	—
Balance Carried to Balance Sheet	(8885.32)	(8285.12)

Total income during the year was at Rs. 88.07 lakhs and gross operating profit was at Rs. 43.76 lakhs compared to Rs. 204.17 lakhs and Rs. 104.31 lakhs respectively in the previous year. The loss during the year was Rs. 600.20 lakhs as against Rs. 422.70 lakhs in the previous year.

Economic Scenario

During the past year despite the on going liberalisation there has been no turnaround in the status of the non-performing clients of your Company and hence there has been no significant beneficial impact on the recovery of the monies due to your Company.

Operations

During the last four years your Company has concentrated only on recoveries and has collected a total of Rs. 8325.85 lakhs including property settlements. The collections were largely utilised for repayment of debt - Rs. 955.05 lakhs (Inter corporate deposits), Rs. 687.39 lakhs (Non convertible debentures), Rs. 161.08 lakhs (Bill Rediscounting), Rs. 1571.32 lakhs (Fixed Deposits), Rs. 408.69 lakhs (Financial Institutions) and Rs. 3564.33 lakhs (Banks), an aggregate of Rs. 7347.86 lakhs.

During the year ended your Company has collected Rs. 292.78 lakhs and has used the proceeds, inter alia, to repay Rs. 123.58 lakhs to Banks. Due to the legal action initiated against the defaulting clients, your Company was able to conclude negotiated settlements of debt for an aggregate sum of Rs. 375.62 lakhs.

The term loan of Rs. 2128.98 lakhs advanced by the Holding Company to your Company has been extended for a further period of two years from 6th April, 2000 at zero interest. The Holding Company has also waived interest on other financial assistance to the Company.

Reserve Bank of India Directions to NBFCs

Your Company has made provisions as per Reserve Bank of India's Directions. As your Company had made full provision as per the Reserve Bank of India's guidelines during the previous year, your Company is not required to make any further provision during the current year.

Directors' Responsibility Statement

Your Directors have :

- followed, in the preparation of the annual accounts, the applicable accounting standards with proper explanation relating to material departures;

- selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
- taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- prepared the annual accounts on a going concern basis.

Dividend

In view of the loss during the year, and the deficit from the previous year, your Board regrets that the Company is not in a dividend paying position.

Employees

Your Directors wish to place on record their appreciation of the co-operation extended by the employees.

Particulars of Employees

The Company has no employee in the category specified under Section 217 (2A) of the Companies Act, 1956.

Subsidiary Companies

BFIL Securities Limited

As your Company's subsidiary has decided not to do business it has initiated steps for its voluntary winding up.

MRR Trading & Investment Company Limited

With a view to acquire office space in Mumbai, by way of tenancy rights, your Company had acquired the entire equity share capital of MRR Trading & Investment Company Limited after obtaining the necessary approval from the Central Government. The tenanted space is being utilised as corporate office of your Company.

Directors

Dr. (Mrs.) G.Sirur retires at the forthcoming Annual General Meeting and, being eligible, offers herself for reappointment.

Auditors

Lovelock & Lewes, Chartered Accountants, the Company's auditors, retire at the conclusion of this Annual General Meeting. They have signified their willingness to accept re-appointment and have further confirmed their eligibility under Section 224 (1-B) of the Companies Act, 1956.

Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

The Company has no activities relating to Conservation of Energy and Technology Absorption. There has been no foreign exchange earnings or outgo.

Deposits

20 Deposits, aggregating Rs. 2.57 lakhs were unclaimed at the end of the year and the same have been kept in an escrow account with State Bank of India.

Acknowledgements

The Directors have pleasure in recording their appreciation of the assistance extended to the Company by various officials of the Central and State Governments and Commercial Banks.

On behalf of the Board

G. Sirur Managing Director
P.K. Talwar Director

Secunderabad, April 18, 2001

REPORT OF THE AUDITORS TO THE MEMBERS

We report that we have audited the Balance Sheet of BFIL Finance Limited as at March 31, 2001 and the relative Profit and Loss Account for the year ended on that date both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account.

In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the notes attached thereto and the Statement on Significant Accounting Policies, subject to Note No. 1 of Schedule 17 regarding the preparation of the accounts on a going concern basis, give in the prescribed manner the information required by The Companies Act, 1956 and also give respectively, a true and fair view of the state of the Company's affairs as at March 31, 2001 and its loss for the year ended on that date.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as appears from our examination of the books.

In our opinion these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211(3C) of the Companies Act, 1956.

On the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2001 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:

- The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company have been physically verified by the Management and no material discrepancies between the book records and the physical

inventory were noticed. No physical verification was carried out in respect of lease assets, where the parties have defaulted in payment of lease rentals and the Company has initiated legal proceeding for recovering the dues.

- The fixed assets of the Company have not been revalued during the year.
- The stock-in-trade (shares and securities) has been physically verified by the Management at reasonable intervals and no discrepancies have been noticed on such verification. In our opinion, the procedures of physical verification followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business. In our opinion, the valuation of such stocks is fair and proper and in accordance with the normally accepted accounting principles and the Non-Banking Financing Companies Prudential Norms (Reserve Bank) Directions, 1998.
- The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section 370 are not applicable to a company.
- The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of the Section 370 of the Companies Act, 1956, provisions of the Section 370 are not applicable to a company.
- The parties to whom the loans and advances in the nature of loans have been given by the Company are generally not repaying the principal amounts as stipulated and are also not regular in payment of interest, where applicable, and the Company has taken adequate steps and is in the process of negotiations and reschedulements for the recovery of the principal and interest, in majority of the cases of defaults.

7. In our opinion there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of plant and machinery, equipment and similar assets. The nature of the business of the Company does not involve any sale of goods.
8. There are no transactions of purchase of shares and sale of shares and services made pursuant of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
9. In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
10. The Company has regularly deposited, during the year, Provident Fund dues with the appropriate authorities in India. The Employees' State Insurance Act, 1948 is not applicable to the Company.
11. At the last day of the financial year there was no amount outstanding in respect of undisputed Income Tax, Wealth Tax, Customs Duty, and Excise Duty other than Sales Tax of Rs.4.68 lakhs as at March 31, 2001 which were due for more than six months from the date they became payable.
12. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of such case by the management other than those payable under contractual obligations or normally accepted business practices.

13. In relation to service activities of the Company, there exists reasonable system of internal control system commensurate with the size of the Company and the nature of its business.
14. The Company has maintained adequate documents and records in respect of loans and advances granted on the basis of security by way of pledge of shares, debentures and other securities.
15. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of transactions and contracts as to dealing in shares, securities, debentures and other investments and timely entries have been made therein. The same have been held by the Company in its own or in the process of transfer in its name, except to the extent of exemption, if any, granted under Section 49 of the Companies Act, 1956.
16. As per the information given to us and taking into consideration the nature of business of the Company, Clauses xii, xiii, xiv, xvi, xx of paragraph 4(A) and 4(C) (ii) and Clauses (ii) and (iii) of Paragraph 4(D) of the aforesaid Order are not applicable.

For Lovelock & Lewes
Chartered Accountants

S. Gopalakrishnan
Partner

Secunderabad, 18th April, 2001

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES GENERAL

These accounts have been prepared under the historical cost convention and on accrual system based on the principle of going concern. Income recognition and provisioning for Non-Performing Assets, consisting of Lease and Hire Purchase Assets, Bills Discounted and other Loans and Advances, is done as per Non-Banking Finance Companies Prudential Norms (Reserve Bank) Directions, 1998.

REVENUE RECOGNITION

As per the directives of the Reserve Bank of India, revenue is recognised upon realisation, on Non-Performing Assets.

Revenue is not recognised on the grounds of prudence until realised in respect of liquidated damages, penalties and delayed payment charges, as recovery of the amounts is uncertain.

The lease processing charges, hire purchase processing charges, management fees and other service charges have been considered as income on execution of agreements.

The guidance note on accounting for lease issued by the Institute of Chartered Accountants of India is adopted in respect of lease rentals and leased assets. Therefore, appropriate amount is adjusted to the income by adding to/deducting from the lease rentals, under the head "Lease Equalisation Account" to maintain equal annual charge to the Profit and Loss Account.

The income on hire-purchase transactions by way of finance charges is arrived at on the basis of reducing balance method.

Underwriting Commission is recognised when accrued on closure of relevant issue.

STOCK-IN-TRADE

Stock of securities are stated at cost or market price whichever is lower. Stock-on-hire is valued at agreement value less amounts receivable.

INVESTMENTS

All investments are stated at cost i.e. cost of acquisition, inclusive of expenses incidental to acquisition where applicable. Provision for any permanent diminution in value of investments is made which is considered to be appropriate. Income from investments is stated in revenue account in the year in which it is accrued and at gross value.

FIXED ASSETS

All fixed assets including assets given on lease are valued at cost inclusive of direct and incidental expenses related to acquisition.

Depreciation of fixed assets is provided on written down value method on pro rata basis in accordance with the rates prescribed under amended Schedule XIV of the Companies Act, 1956.

DEFERRED REVENUE EXPENDITURE

All expenditure, the benefit of which is spread over a number of years is grouped under miscellaneous expenditure and will be amortised over number of years on the basis of estimated benefit derived in each such year.

BALANCE SHEET AS AT 31st MARCH, 2001

	Schedule	(Rs. Lakhs)	31st March, 2001 (Rs. Lakhs)	(Rs. Lakhs)	31st March, 2000 (Rs. Lakhs)
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
a) Capital	1	20,00.00	20,00.00	20,00.00	20,00.00
b) Reserves and Surplus		—	—	—	—
2. Loan Funds					
a) Secured Loans	2	31,73.95	29,54.42	29,54.42	29,54.42
b) Unsecured Loans	3	54,65.08	55,12.14	55,12.14	55,12.14
			86,39.03	84,66.56	84,66.56
			1,06,39.03	1,04,66.56	1,04,66.56
II. APPLICATIONS OF FUNDS					
1. Fixed Assets	4				
a) Gross Block		46,14.70	64,48.96	64,48.96	64,48.96
b) Depreciation		(22,07.76)	(31,81.05)	(31,81.05)	(31,81.05)
c) Lease Terminal Adjustment		(6,83.53)	(14,15.32)	(14,15.32)	(14,15.32)
d) Net Block		17,23.41	18,52.59	18,52.59	18,52.59
e) Capital Work-in-Progress		3,97.70	3,94.35	3,94.35	3,94.35
f) Provision for Doubtful Assets		(12,58.93)	8,62.18	(12,59.61)	9,87.33
2. Investments	5		6,52.57		6,52.57
3. Current Assets, Loans and Advances					
a) Stock-on-hire		17,60.03	19,77.29	19,77.29	19,77.29
Less : Provision For Doubtful Assets		(14,95.80)	(15,27.00)	(15,27.00)	(15,27.00)
		2,64.23	4,50.29	4,50.29	4,50.29
b) Stock-in-trade	6	6,90.65	6,92.26	6,92.26	6,92.26
c) Sundry Debtors	7	—	5.08	5.08	5.08
d) Cash and Bank Balances	8	4.13	4.78	4.78	4.78
e) Loans and Advances	9	1,94.13	1,92.01	1,92.01	1,92.01
		11,53.14	13,44.42	13,44.42	13,44.42
Less: Current Liabilities and Provisions					
Current Liabilities	10	9,15.13	8,04.24	8,04.24	8,04.24
Net Current Assets			2,38.01		5,40.18
4. Miscellaneous Expenditure	11		0.95		1.36
5. Profit and Loss Account - Debit Balance			88,85.32		82,85.12
			1,06,39.03		1,04,66.56

Notes on Accounts

Schedules 1 to 11 and 17 and Statement on Significant Accounting Policies form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

For Lovelock & Lewes

Chartered Accountants

S. Gopalakrishnan, Partner

Secunderabad, 18th April, 2001

On behalf of the Board
G. Sirur Managing Director
P.K. Talwar Director
V. Radhakrishnan Company Secretary

BFIL FINANCE LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2001

	Schedule	Year ended 31st March, 2001 (Rs. Lakhs)	Year ended 31st March, 2000 (Rs. Lakhs)
I. INCOME			
Lease	12	—	1,26.87
Hire Purchase		10.08	60.70
Investments	13	1.15	0.14
Other Income	14	76.84	16.46
		<u>88.07</u>	<u>2,04.17</u>
II. EXPENDITURE			
Personnel, Operating and Administration expenses	15	1,24.96	99.86
Interest and Finance Charges	16	5,09.17	23.65
Depreciation		1,34.37	2,94.09
Amortisation of Miscellaneous expenses		0.42	0.42
Provision for Doubtful Debts and Advances		—	2,08.85
NPA provision written back		(80.65)	—
		<u>6,88.27</u>	<u>6,26.87</u>
III. PROFIT/(LOSS) BEFORE TAXATION		<u>(6,00.20)</u>	<u>(4,22.70)</u>
Provision for Taxation		—	—
IV. PROFIT/(LOSS) AFTER TAXATION		<u>(6,00.20)</u>	<u>(4,22.70)</u>
Brought forward from previous year		(82,85.12)	(78,62.42)
Balance in General Reserve		—	—
V. AVAILABLE BALANCE		<u>(88,85.32)</u>	<u>(82,85.12)</u>
Balance carried to Balance Sheet		<u>(88,85.32)</u>	<u>(82,85.12)</u>
Notes on Accounts	17		

Schedules 12 to 17 and Statement on Significant Accounting Policies form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our Report of even date.

For Lovelock & Lewes
Chartered Accountants
S. Gopalakrishnan, Partner
Secunderabad, 18th April, 2001

On behalf of the Board
G. Sirur Managing Director
P.K. Talwar Director
V. Radhakrishnan Company Secretary

SCHEDULES TO THE FINANCIAL STATEMENTS

	31st March, 2001 (Rs. Lakhs)	31st March, 2000 (Rs. Lakhs)
1. CAPITAL		
AUTHORISED		
3,00,00,000 (2000 - 3,00,00,000)		
Equity Shares of Rs. 10/- each	30,00.00	30,00.00
10,00,000 (2000 - 10,00,000) Cumulative Redeemable/ Convertible Preference Shares of Rs. 100/- each	<u>10,00.00</u>	<u>10,00.00</u>
	<u>40,00.00</u>	<u>40,00.00</u>
ISSUED AND SUBSCRIBED		
2,00,00,000 (2000 - 2,00,00,000) Equity Shares of Rs. 10/- each fully paid-up in cash (1,99,99,994 Equity Shares are held by Holding Company ITC Bhadrachalam Paperboards Limited)	<u>20,00.00</u>	<u>20,00.00</u>
	<u>20,00.00</u>	<u>20,00.00</u>
2. SECURED LOANS		
Term Loan :		
From Financial Institution		
Secured against the first mortgage of the title deeds of specific buildings	70.00	98.00
Cash Credit from Banks :		
Secured by way of hypothecation of specific equipment, plant and machinery, vehicles, stock on hire etc., and related book debts	16,69.17	17,52.38
Interest accrued and due	<u>14,34.78</u>	<u>11,04.04</u>
	<u>31,73.95</u>	<u>29,54.42</u>
3. UNSECURED LOANS		
Fixed Deposits (including Rs. 2,57,247 unclaimed; 2000 - Rs. 4,62,596)	2.57	4.63
Less : Amount in Escrow Account	<u>2.57</u>	<u>4.63</u>
15,00,000 Non-Convertible Debentures of Rs. 100/- each issued to the Holding Company ITC Bhadrachalam Paperboards Ltd. renewed at 0% interest for a further period of 24 months from 1st April, 1999	15,00.00	15,00.00
Interest accrued and due	1,33.21	1,33.21
Short Term Loans :		
- Holding Company	37,24.11	37,24.11
- Interest accrued and due	44.46	44.47
- Others	—	—
Interest accrued and due (Due to Holding Company Rs. 56.87 Lakhs, 2000 - Rs. 56.89 Lakhs)	56.87	56.89
Other than short term :		
Security Deposits	6.43	53.46
	<u>54,65.08</u>	<u>55,12.14</u>

SCHEDULES TO THE FINANCIAL STATEMENTS (Contd.)

4. FIXED ASSETS	Gross Block (at cost)				Depreciation				Lease Terminal Adjustment		(Rs. Lakhs)	
											Net Block	
	As at 31st March, 2000	Additions during the year	Deductions during the year	As at 31st March, 2001	As at 31st March, 2000	Additions during the year	Deductions during the year	As at 31st March, 2001	As at 31st March, 2001	As at 31st March, 2000	As at 31st March, 2001	As at 31st March, 2000
Buildings*	4,32.34	4.81	—	4,37.15	83.43	17.48	—	1,00.91	—	—	3,36.24	3,48.91
Office Equipment	57.42	0.68	—	58.10	26.26	8.56	—	34.82	—	—	23.28	31.16
Furniture and Fixtures	1,48.91	—	0.49	1,48.42	53.90	17.18	0.23	70.85	—	—	77.57	95.01
Vehicles	5.66	—	—	5.66	1.63	1.37	—	3.00	—	—	2.66	4.03
Lease Hold Improvement**	66.10	—	—	66.10	9.76	11.88	—	21.64	—	—	44.46	56.34
LEASED ASSETS												
Plant and Machinery	57,38.53	—	18,39.26	38,99.27	30,06.07	77.90	11,07.43	19,76.54	6,83.53	14,15.32	12,39.20	13,17.14
Total	64,48.96	5.49	18,39.75	46,14.70	31,81.05	1,34.37	11,07.66	22,07.76	6,83.53	14,15.32	17,23.41	18,52.59
Previous Year	64,45.79	3.17	0.00	64,48.96	28,86.96	2,94.09	0.00	31,81.05	14,15.32	12,36.43	18,52.59	23,22.40
Capital Work in Progress at Cost											3,97.70	3,94.35

* Conveyance documentation in favour of the Company for the property acquired in the financial year 1996-97 (Original Cost Rs. 26.44 Lakhs) is pending.

** Leasehold Improvement represents the amount incurred on renovation of the premises taken on Sub-lease from the wholly owned subsidiary, MRR Trading & Investment Co. Ltd. which holds tenancy rights.

5. INVESTMENTS	31st March, 2001		31st March, 2000		8. CASH AND BANK BALANCES	31st March, 2001		31st March, 2000	
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)		(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
Unquoted (At cost)					Cash/Cheques on hand	1.23		0.27	
Long Term:					With Scheduled Banks				
Government/Trust Securities (other than trade)					on current account	—		4.01	
National Savings Certificate fully paid (deposited with Government Authorities)		0.05		0.05	on short term deposit	2.90		0.50	
Kisan Vikas Patra fully paid (lodged with Government authorities Rs. 5,000)		0.05		0.05		<u>4.13</u>		<u>4.78</u>	
Trade Investments					9. LOANS AND ADVANCES				
5 Shares of Maker Towers Co-operative Housing Society Ltd. of Rs 50/- each fully paid.		—		—	(Unsecured, considered good)				
10 Shares of Laxmi Finance and Leasing Companies Commercial Premises Co-operative Society Limited of Rs 50/- each fully paid		0.01		0.01	Advances recoverable in cash or in kind or for value to be received (includes Rs. 2.00 Lakhs advance for repairs paid to subsidiary company, 2000-Rs. Nil)	3.93		4.57	
Bombay Mercantile Co-op. Bank Ltd.		0.01		0.01	Advances with Government, Public Bodies etc.	12.26		9.80	
Subsidiary Companies					Advance payment of tax net of provision	1,77.94		1,77.64	
BFIL Securities Limited						<u>1,94.13</u>		<u>1,92.01</u>	
19,99,994 Equity Shares of Rs. 10/- each fully paid	1,99.99		1,99.99		10. CURRENT LIABILITIES				
Less : Provision for Permanent Diminution	<u>50.00</u>	1,49.99	<u>50.00</u>	1,49.99	Sundry Creditors				
MRR Trading & Investment Company Limited					Due to Small Scale Industries	—		—	
10,000 Equity Shares of Rs. 10/- each fully paid	5,02.46		5,02.46		Others (includes due to Subsidiaries Rs. 151.47 Lakhs, 2000 Rs. 151.47 Lakhs; Due to Holding Company Rs. 13.66 Lakhs, 2000 Rs. 27.94 Lakhs)	3,82.56	3,82.56	4,28.63	4,28.63
	<u>6,52.57</u>		<u>6,52.57</u>		Other Liabilities	1,73.86		5.58	
6. STOCK-IN-TRADE					Unmatured Finance Charges	3,58.71		3,68.80	
(Valued at Cost or Market Value whichever is lower)					Interest accrued but not due on loans/deposits	—		1.23	
Stock of Shares & Securities						<u>9,15.13</u>		<u>8,04.24</u>	
Quoted - Fully paid					11. MISCELLANEOUS EXPENDITURE				
Equity Shares of Rs. 10/- each	0.01		0.01		Funds mobilisation :				
Secured Premium Notes	—		0.96		As at the commencement of the year	1.37		1.78	
Convertible/ Non-Convertible Debentures	0.04		0.69		Add : Incurred during the year	—		—	
Unquoted - Fully paid					Less : Written off during the year	0.42	0.95	0.42	1.36
Equity Shares of Rs. 10/- each	3,42.00		3,42.00			<u>0.95</u>		<u>1.36</u>	
Optionally Fully Convertible Debentures	5,94.00		5,94.00		12. LEASE				
	<u>9,36.00</u>		<u>9,36.00</u>		Leasing	—		3,05.76	
Less : Provision for erosion in value	<u>2,45.40</u>	6,90.60	<u>2,45.40</u>	6,90.60	Less : Lease Equalisation Account for the year	—		1,78.89	
	<u>6,90.65</u>		<u>6,90.65</u>			<u>—</u>		<u>1,26.87</u>	
7. SUNDRY DEBTORS					13. INVESTMENT BUSINESS				
(Unsecured, considered good)					Sale of Share and Securities	2.76		3.94	
Not over 6 months old:					Opening Stock	6,92.26		6,96.05	
Lease and hire purchase debtors	—		—		Add : Purchases	—		—	
Trade debtors	—		—			<u>6,92.26</u>		<u>6,96.05</u>	
Over 6 months old:					Less : Closing Stock	6,90.65		6,92.25	
Lease and hire purchase debtors	—		—		Cost of Sale	(1.61)		(3.80)	
Trade debtors	—		—			<u>1.15</u>		<u>0.14</u>	
(Unsecured, considered doubtful)									
Over 6 months old:									
Lease and hire purchase debtors	8,75.04		9,43.21						
Trade debtors	12,94.75		12,94.89						
	<u>21,69.79</u>		<u>22,38.10</u>						
Less : Provision for doubtful debts	<u>21,69.79</u>		<u>22,33.02</u>						
	<u>—</u>		<u>5.08</u>						

SCHEDULES TO THE FINANCIAL STATEMENTS
(Contd.)

	Year ended 31st March, 2001		Year ended 31st March, 2000	
	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)	(Rs. Lakhs)
14. OTHER INCOME				
Dividend Income (Gross)		3.03		3.44
(Tax deducted at source Rs. Nil, 2000 – Rs. Nil)				
Interest on Bonds, Debentures, Deposits etc.		0.21		1.36
(Tax deducted at source Rs. 4,971, 2000 – Rs.28,425)				
Profit/ (Loss) on sale of Fixed Assets		9.85		4.00
Settlement Charges		61.69		4.77
Other Income		2.06		2.89
		<u>76.84</u>		<u>16.46</u>

15. PERSONNEL, OPERATING AND ADMINISTRATION EXPENSES

Salaries, Allowances and Bonus	22.71		31.89	
Contribution to Provident and other funds	3.53		5.00	
Staff Welfare	<u>4.11</u>	30.35	<u>6.64</u>	43.53
Rent		3.14		3.65
Electricity and Lighting		3.80		4.12
Insurance		0.75		0.63
Rates, Taxes and Stamp Duty		51.67		1.29
Postage, Telephone and Telegrams		4.86		6.93
Repairs and Maintenance				
– Buildings	1.81		1.34	
– Others	<u>0.22</u>	2.03	<u>0.45</u>	1.79
Travelling and Conveyance		12.73		19.20
Professional Charges		1.46		5.13
Legal Expenses		10.45		5.72
Service Charges		—		0.25
Remuneration to Auditors				
Audit Fee and Expenses	0.88		1.34	
Certification	—	0.88	<u>0.05</u>	1.39
Miscellaneous		2.84		6.23
		<u>1,24.96</u>		<u>99.86</u>

16. INTEREST AND FINANCE CHARGES

Interest paid on				
– Term Loans		—		—
– Other Loans		3,30.74		3,94.88
– Fixed Deposits		—		0.19
– Others		1,78.25		21.55
Bank / Other financial charges		0.18		1.32
Interest provision no longer required written back		—		(394.29)
		<u>509.17</u>		<u>23.65</u>

17. NOTES ON ACCOUNTS

- The financial statements have been drawn up on a going concern basis. There had been a business disruption due to problems currently prevalent in the Non-Banking Finance Industry and no new business has been done during the year. However, the Company is continuing to recover its dues in the normal course of business and through settlements and collection of dues has largely been used for reducing its liabilities.
- Contingent Liabilities
 - Income tax matters under dispute Rs. 3,73.17 lakhs (March 31, 2000 - Rs. 3,10.44 lakhs)
 - Lease Tax liability on account of non-accrual of lease rental (as per the Reserve Bank of India guidelines on Non Performing Assets) – Rs. 67.96 Lakhs (March 31, 2000 - Rs. 60.56 lakhs)
- The Company has received demand notices for interest tax of Rs. 82.77 lakhs and the bank accounts of the Company were attached for recovering the dues. The Company has fully provided for the taxes demanded and paid an amount of Rs. 27.01 lakhs until the balance sheet date. The Company has also proposed to pay the balance from the sale proceeds of its real estate assets and from the normal business collections. The response from the income tax authorities is awaited.
- Estimated amount of contracts remaining to be executed on capital accounts not provided for: Rs. Nil lakhs (March 31, 2000 - Rs. 3.40 lakhs)
- The Company had paid the principal amount to one creditor who had initiated legal action U/s. 138 of the Negotiable Instruments Act. The Company has filed a writ petition for dismissal of the said complaint in the Bombay High Court and the same has been admitted by the High Court.
- The Company has initiated legal proceedings against various parties for recovery of dues and such legal proceedings are at different stages as at the date of the Balance Sheet and are expected to materialise in recovering the dues in the future.
- Directors' remuneration included in Schedule 15

	(Rs. In Lakhs)	(Rs. In Lakhs)
	31/03/2001	31/03/2000
Salary	7.20	7.20
Contribution to Provident and other funds	2.23	2.23
Commission	—	—
Other benefits	2.00	2.06
Total	<u>11.43</u>	<u>11.49</u>

- Information with regard to matters specified in clauses 3, 4(A), 4(C) and 4(D) of Part II of Schedule VI to the Companies Act, 1956 to the extent that they are either Nil or not applicable to the Company has not been given.

9. QUANTITATIVE ANALYSIS FOR STOCK-IN-TRADE

Particulars	Opening Stock		Purchases 2000-01		Closing Stock		Sales 2000-01	
	Quantity (Nos.)	Value (Rs. Lakhs)	Quantity (Nos.)	Value (Rs. Lakhs)	Quantity (Nos.)	Value (Rs. Lakhs)	Quantity (Nos.)	Value (Rs. Lakhs)
Quantitative Information								
Equity Shares of Rs. 10/- each quoted - fully paid up	8	0.01	—	—	8	0.01	—	—
Secured Premium Notes	1,910	0.96	—	—	—	—	1,910	0.96
Convertible / Non-Convertible Debentures - fully paid up	2,000	0.69	—	—	1,333	0.04	667	0.65
Unquoted Equity Shares of Rs. 10/- each fully paid up	2,40,000	3,42.00	—	—	2,40,000	3,42.00	—	—
Unquoted Convertible / Non-Convertible Debentures	5,40,000	5,94.00	—	—	5,40,000	5,94.00	—	—
Less : Provision for Diminution in the value	—	(2,45.40)	—	—	—	(2,45.40)	—	—
Total		<u>6,92.26</u>		—		<u>6,90.65</u>		<u>1.61</u>

BFIL FINANCE LIMITED

17. NOTES ON ACCOUNTS (Contd.)

9A. QUANTITATIVE ANALYSIS FOR STOCK-IN-TRADE

Particulars	2001		2000	
	Quantity (Nos.)	Value (Rs. Lakhs)	Quantity (Nos.)	Value (Rs. Lakhs)
Equity Shares of Rs. 10/- each quoted - fully paid up				
Larsen & Toubro Limited	8	0.01	8	0.01
Secured Premium Notes				
Bombay Dyeing & Manufacturing Company Limited	—	—	1,910	0.96
Convertible/Non-Convertible Debentures - fully paid up				
East India Hotels Limited (NCD)	1,333	0.04	2,000	0.69
Unquoted Equity Shares of Rs. 10/- each - fully paid up				
Punj Lloyd Ltd.	2,40,000	3,42.00	2,40,000	3,42.00
Unquoted Convertible/Non-Convertible Debentures				
G Tech Stones Ltd.	5,40,000	5,94.00	5,40,000	5,94.00
Less : Provision For Diminution in the value		(2,45.40)		(2,45.40)
Total		6,90.65		6,92.26

10. Previous year's figures are regrouped wherever necessary.
Statement Regarding Subsidiary Companies

Pursuant to Section 212 (1) and (3) of the Companies Act, 1956

BFIL SECURITIES LIMITED

Voluntary winding up proceedings have been initiated for the Company.

On behalf of the Board

G. Sirur Managing Director
P.K. Talwar Director
V. Radhakrishnan Company Secretary

Secunderabad, April 18, 2001

Pursuant to Section 212 (1) and (3) of the Companies Act, 1956

MRR TRADING & INVESTMENT COMPANY LIMITED

(Rs. Lakhs)

- (a) Holding Company's interest:
9,998 Equity Shares of Rs. 10/- each fully paid-up
- (b) Net aggregate amount of Subsidiary's profits/(losses) not dealt with in the Holding Company's accounts :
(i) for the Subsidiary's financial year ended 31st March, 2001 (0.01)
(ii) for the previous financial year (0.96)
- (c) Net Aggregate amount of subsidiary's profits/(losses) dealt with in the Holding Company's accounts :
(i) for the Subsidiary's financial year ended 31st March, 2001 Nil
(ii) for the previous financial years Nil

On behalf of the Board

G. Sirur Managing Director
P.K. Talwar Director
V. Radhakrishnan Company Secretary

Secunderabad, April 18, 2001

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. 01-64662 State Code 11

Balance Sheet Date 31-03-01
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue Rights Issue
Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities 1063903 Total Assets 1063903

Sources of Funds
Paid up Capital 2000000
Secured Loans 317395
Application of Funds
Net Fixed Assets 86218
Net Current Assets 23801
Accumulated Losses 888532

Reserves & Surplus
Unsecured Loans 546508
Investments 65257
Misc. Expenditure 9.5

IV. Performance of Company (Amount in Rs. Thousands)

Turnover 8807 Total Expenditure 68827
+ - Profit/Loss Before Tax 60020 + - Profit/Loss After Tax 60020

Earning per Share (Rs.) Dividend Rate %

V. Generic Names of Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC CODE) NOT APPLICABLE
Product Description NOT APPLICABLE

On behalf of the Board

G. Sirur Managing Director
P.K. Talwar Director
V. Radhakrishnan Company Secretary

Secunderabad, April 18, 2001

MRR TRADING & INVESTMENT COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors hereby submit their report for the financial year ended 31st March, 2001.

Operations

The operations of the Company during the year under review resulted in a loss of Rs. 1,680/-. Your Directors have proposed to carry the same to the Balance Sheet.

Fixed Deposits

The Company has not accepted deposits under the Companies (Acceptance of Deposits) Rules, 1975.

Particulars of Employees

The Company has no employee in the category specified under Section 217 (2A) of the Companies Act, 1956.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The Company has no activities relating to Conservation of Energy and Technology Absorption. There has been no foreign exchange earnings or outgo.

Directors

Dr.(Mrs.) G. Sirur retires at the forthcoming Annual General Meeting and, being eligible, offers herself for re-appointment.

Mr. M. Yelamanda was appointed an additional Director with effect from 15th December, 2000. In accordance with Section 260 of the Companies Act, 1956, he retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

Mr. Prakash G. Kurup resigned from the Board with effect from 15th December, 2000. The Board of Directors place on record its appreciation of the services rendered by Mr. Prakash G. Kurup during his tenure as Director.

Director's Responsibility Statement

Your Directors have :

- followed, in the preparation of the annual accounts, the applicable accounting standards with proper explanation relating to material departures;
- selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
- taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- prepared the annual accounts on a going concern basis.

Auditors

Lovelock & Lewes, Chartered Accountants, the Company's Auditors retire at the conclusion of the Annual General Meeting. They have signified their willingness to accept re-appointment and have further confirmed their eligibility under Section 224 (1B) of the Companies Act, 1956.

On behalf of the Board

G. Sirur Director

M. Yelamanda Director

Secunderabad, 18th April, 2001

REPORT OF AUDITORS TO THE MEMBERS

We report that we have audited the Balance Sheet of MRR Trading & Investment Company Limited as at March 31, 2001 and the relative Profit and Loss Account for the year ended on that date both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account.

In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the notes attached thereto give in the prescribed manner the information required by the Companies Act, 1956 and also respectively, a true and fair view of the state of the Company's affairs as at March 31, 2001 and its loss for the year ended on that date.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as appears from our examination of the books.

In our opinion these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.

On the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March, 2001 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:

- The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section 370 are not applicable to a company.

- The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section 370 are not applicable to a company.
- There are no transactions of purchase of goods and sale of goods and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
- During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of such case by the management other than those payable under contractual obligations or normally accepted business practices.
- In relation to service activities of the Company, there exists reasonable system of internal control system commensurate with the size of the Company and nature of its business.
- Clauses 4A (i), (ii), (iii), (iv), (v), (vi), (ix), (x), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xx), 4C and 4D of the above Order are not applicable in the case of the Company since in our opinion there is no matter which arises to be reported in the aforesaid Order.

For Lovelock & Lewes

Chartered Accountants

S. Gopalakrishnan

Partner

Secunderabad

18th April, 2001

BALANCE SHEET AS AT MARCH 31, 2001

	Schedule	As at March 31, 2001 (Rs.)	As at March 31, 2000 (Rs.)
SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Capital	1	1,00,000.00	1,00,000.00
2. Unsecured Loans from Others		1,100.00	1,100.00
TOTAL		1,01,100.00	1,01,100.00
APPLICATION OF FUNDS			
1. Current Assets, Loans and Advances			
a) Cash/Bank Balances	2	2,05,998.00	1,678.00
b) Loans and Advances	3	8,120.00	9,120.00
		2,14,118.00	10,798.00
Less : Current Liabilities and Provisions			
a) Current Liabilities - Sundry Creditors	4	2,10,000.00	5,000.00
Net Current Assets		4,118.00	5,798.00
2. Debit Balance in Profit & Loss Account		96,982.00	95,302.00
TOTAL		1,01,100.00	1,01,100.00

Notes on Accounts

5

Schedules 1 to 5 form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

For Lovelock & Lewes

Chartered Accountants

S. Gopalakrishnan

Partner

Secunderabad, 18th April, 2001

On behalf of the Board

G. Sirur Director

M. Yelamanda Director

MRR TRADING & INVESTMENT COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2001

	Schedule	Year ended March 31, 2001 (Rs.)	Year ended March 31, 2000 (Rs.)
INCOME			
Service Charges		1,44,131.00	96,966.00
Other Income		—	470.00
Total		1,44,131.00	97,436.00
EXPENDITURE			
Rent		1,25,780.00	90,096.00
Water Charges		12,801.00	6,822.00
Bank Charges		1,230.00	830.00
Profession Tax		1,000.00	1,000.00
Audit Fees		5,000.00	5,000.00
Income Tax		—	350.00
Total		1,45,811.00	1,04,098.00
Profit/(Loss) Before Taxation		(1,680.00)	(6,662.00)
Provision for Taxation		—	—
Profit/(Loss) After Taxation		(1,680.00)	(6,662.00)
Balance Carried Forward From Previous Year		(95,302.00)	(88,640.00)
Balance Carried to Balance Sheet		(96,982.00)	(95,302.00)

Notes on Accounts

Schedule 5 forms an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our report of even date.

For Lovelock & Lewes

On behalf of the Board

Chartered Accountants

S. Gopalakrishnan, Partner

Secunderabad, 18th April, 2001

G. Sirur Director

M. Yelamanda Director

SCHEDULES TO FINANCIAL STATEMENTS

	March 31, 2001 (Rs.)	March 31, 2000 (Rs.)
SCHEDULE 1		
CAPITAL		
AUTHORISED:		
10,000 (2000 – 10,000) Equity Shares of Rs. 10/- each	1,00,000.00	1,00,000.00
ISSUED & SUBSCRIBED:		
10,000 (2000 – 10,000) Equity Shares of Rs. 10/- each fully paid-up	1,00,000.00	1,00,000.00
(9,998 Equity Shares are held by Holding Company BFIL Finance Limited)	1,00,000.00	1,00,000.00
SCHEDULE 2		
CASH & BANK BALANCES		
Cash on Hand	80.00	80.00
With Scheduled Bank		
- On current account	2,00,918.00	—
- On deposit account	5,000.00	1,598.00
	2,05,998.00	1,678.00
SCHEDULE 3		
LOANS & ADVANCES		
Deposits with Government, Public Bodies, etc.	7,120.00	7,120.00
Advances recoverable in cash, in kind or for value to be received	1,000.00	2,000.00
	8,120.00	9,120.00
SCHEDULE 4		
CURRENT LIABILITIES - SUNDRY CREDITORS		
BFIL Finance Limited	2,05,000.00	—
Others	5,000.00	5,000
	2,10,000.00	5,000

SCHEDULE 5

NOTES ON ACCOUNTS:

1) Significant Accounting Policies

- a) The accounts have been prepared on historical cost basis.
b) All revenue & expenses are accounted on accrual basis.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. 11-23259 State Code 11

Balance Sheet Date 31 03 01
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue Rights Issue
— —
Bonus Issue Private Placement
— —

III. Position of Mobilisation and Deployment of Funds
(Amount in Rs. Thousands)

Total Liabilities Total Assets
101 101

Sources of Funds

Paid up Capital Reserves & Surplus
100 —
Secured Loans Unsecured Loans
— 1

Application of Funds

Net Fixed Assets Investments
— —
Net Current Assets Misc. Expenditure
4 —
Accumulated Losses
97

IV. Performance of Company (Amount in Rs. Thousands)

Turnover Total Expenditure
144 146
Profit/Loss before Tax Profit/Loss after Tax
2 2
(Please tick the Appropriate box + for Profit, - for Loss)
Earning per Share in Rs. Dividend Rate %
— —

V. Generic Names of Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC CODE) NOT APPLICABLE
Product Description NOT APPLICABLE

On behalf of the Board

Secunderabad, 18th April, 2001

G. Sirur Director
M. Yelamanda Director

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001

Your Directors submit their Report and Accounts for the financial year ended 31st March, 2001.

FINANCIAL PERFORMANCE

The Company recorded an income of Rs. 134.74 crores, registering a growth of 3% over last year. Post tax profit at Rs. 12.69 crores represents a growth of 6% over last year. The marginal improvements in turnover and profits reflect the nascent recovery in the hotel industry.

Your Directors are pleased to recommend a dividend of Re. 1/- per equity share for the year ended 31st March, 2001 (previous year Re. 1/- per share). Your Board recommends a transfer of Rs. 14.50 crores to General Reserve after considering transfer back of Rs. 1.22 crores from Foreign Exchange Earnings Reserve and Rs. 4.00 crores from Debenture Redemption Reserve and transfer of an amount of Rs. 2.00 crores to Foreign Exchange Earnings Reserve.

HOTEL OPERATIONS

The hotel industry in India is now beginning to witness signs of recovery following three years of decline. Your Company continues to strengthen its products and processes to support its competitively superior product and service offerings for the discerning traveller. Your Company's continued focus on strengthening its management and talent pool, improving the quality of guest experience and enhancing marketing and distribution channels has enabled the hotels under its management become the preferred choice of upmarket business travellers. The ITC Maurya Sheraton had the distinction of hosting several Heads of State and world business leaders including President Putin, Prime Minister Mori, Bill Gates and Michael Dell. In an affirmation of your Company's world class standards in hoteliering, ITC Maurya Sheraton received the International Hotel Environment Initiative (IHEI) Award for being the global green hotelier of the year. Further, "Namaste", your Company's magazine, received the prestigious Golden Bell Platinum award at New York city.

The ITC Grand Maratha, a super deluxe hotel at Sahar, Mumbai, owned by I.T.C. Limited, commenced operations in January, 2001 under an operating services agreement with your Company. The super deluxe 76-room ITC One, the super premium block of guest rooms at the ITC Maurya Sheraton, became operational during the year. The renovation and refurbishment programme of the existing hotels continued through the year.

SUBSIDIARY COMPANIES**a) Srinivasa Resorts Limited**

During the year 2000-01, your subsidiary's hotel ITC Kakatiya Sheraton continued to maintain its leadership position in Hyderabad. The Company achieved a net turnover of Rs. 33.55 crores (previous year Rs. 26.25 crores), registering a growth of 28% over last year. Profit before tax improved significantly from Rs. 2.11 crores last year to Rs. 7.22 crores during the year under review. Similarly profit after tax also registered a substantial improvement from Rs. 1.98 crores last year to Rs. 6.61 crores. The hotel's excellent performance has enabled the Company to achieve a considerable reduction in the gestation period.

b) Fortune Park Hotels Limited

During the year 2000-01, the Company achieved a turnover of Rs. 117.35 lacs (previous year Rs. 132.32 lacs) and a net profit of Rs. 2.30 lacs (previous year Rs. 14.72 lacs). The lower level of performance, compared to last year, was primarily a result of the reorganisation of the Company's hotels portfolio. The Company, which caters to the mid-market segment, currently has six operating hotels in its portfolio. Five more hotels are at various stages of completion.

c) Bay Islands Hotels Limited

During the year 2000-01, the Company earned an income of Rs. 36.11 lacs (previous year Rs. 31.56 lacs) and a net profit of Rs. 27.34 lacs (previous year Rs. 21.92 lacs). Consequent to increase in the frequency of flights to Port Blair, the performance of the Company's hotel has improved. In keeping with ITC Hotels' re-branding strategy, the Company's hotel has been renamed 'Fortune Resort Bay Island' effective 1st April, 2001.

HERITAGE HOTELS

Maharaja Heritage Resorts Private Limited, a joint-venture with Marudhar Hotels Private Limited, is making steady progress with 20 operating properties under the "WelcomHeritage" banner.

ANSAL HOTELS LIMITED

Consequent to preferential allotment of equity shares to financial institutions as part of the negotiated settlement of outstanding debt, your Company's equity holding in Ansal Hotels Ltd. reduced to 47.52% from 54.65%. Accordingly Ansal Hotels Ltd. ceased to be a subsidiary of your Company with effect from 26th March, 2001. WelcomHotel, New Delhi, owned by the Company, commenced its first phase of commercial operations in January, 2001. The hotel will be ready for full operations from the third quarter of 2001.

HUMAN RESOURCES

Your Company continues to focus on human resource development in recognition of its philosophy that people are its most valuable asset. Your Directors wish to record their sincere appreciation of the efforts made and the support rendered by employees at all levels.

CONSERVATION OF ENERGY

The thrust on energy conservation continues, resulting in substantial savings in consumption of electrical energy, which forms a significant component of the energy cost.

FOREIGN EXCHANGE EARNINGS AND OUTFLOW

During the year under review, your Company's foreign exchange earnings amounted to Rs. 65.71 crores. Foreign exchange utilisation stood at Rs. 5.03 crores.

SECURITIES**a) Redemption of Debentures**

In terms of the Company's Prospectus dated 5th March, 1993, the second redemption installment of Rs. 80/- on the non-convertible portion of Part C Debentures of the face value of Rs. 250/- was paid on 17th June, 2000. The third and final redemption installment of Rs. 90/- is due on 17th June, 2001.

The 'Redemption-cum-Interest' warrants, representing the redemption payment and interest for the period 1st January, 2001 to 17th June, 2001, will be despatched in the second week of June, 2001.

b) Listing

Your Company's securities are listed with The Delhi Stock Exchange Association Limited, New Delhi, The Stock Exchange, Mumbai, The Calcutta Stock Exchange Association Limited, Calcutta and National Stock Exchange of India Limited. The Company is regular in paying the listing fees. The addresses of the said Stock Exchanges are stated elsewhere in the Annual Report.

DIRECTORS

Mr. Sudhakar Dinkar Kulkarni was appointed as an Additional Director with effect from 25th August, 2000. As per the provisions of Section 260 of the Companies Act, 1956 read with Article 130 of the Articles of Association of the Company, Mr. Kulkarni would vacate office at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment. Mr. Subrahmoneyan Chandra Sekhar, Executive Vice President (Corporate Affairs, Growth & Investments) and Mr. Nakul Anand, Executive Vice President (Hotel Operations) of the Company were appointed Additional and Wholtime Directors with effect from 28th March, 2001. Appropriate resolutions seeking your approval are included in the notice convening the Annual General Meeting of the Company.

In accordance with the provisions of Article 143 of the Articles of Association of the Company, Mr. R. Subramanian will retire by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

PARTICULARS OF EMPLOYEES

The particulars of employees as required to be disclosed in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, are annexed to this Report.

AUDITORS

The Auditors of your Company, M/s. Lovelock & Lewes, will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Your Company's Audit Committee recommends their re-appointment.

FUTURE PROSPECTS

The expected growth of the Indian economy in the wake of continuing reforms will lead to increased business travel to India. Your Company is well poised to seize the unfolding opportunities.

RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors state that :

a) in the preparation of annual accounts under review the applicable accounting standards had been followed. b) appropriate accounting policies were selected and applied consistently and reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year under review and of the profit or loss of the Company for that period. c) proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. d) the annual accounts are prepared on a going concern basis. The required disclosures and the significant accounting policies followed are appearing in Schedules 18 and 19 respectively, to the annual accounts.

The Audit Committee of the Company reviewed the financial statements for the year under review at its meeting held on 18th May, 2001 and recommended the same for the approval of the Board of Directors.

On behalf of the Board

Kolkata, 18th May, 2001

S. S. H. Rehman
K. Vaidyanath

Managing Director
Director

ANNEXURE TO THE REPORT OF THE DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001

Particulars of Employees under Section 217(2A) of the Companies Act, 1956 and forming part of the Report of the Directors

Name	Age	Designation/ Nature of Duties	Gross Remuneration (Rs.)	Qualifications	Experience (Years)	Date of Commencement of Employment	Previous Employment/ Position of Employment
Employed throughout the year and in receipt of remuneration aggregating Rs. 12,00,000/- or more							
Ahluwalia S. (Ms.)	50	Vice President- Supplies, Development & Operations Purchases	12,25,925	B.Com, Dip.in Hotel Mgt. & Nutr., L.H.C.I.M.A. (U.K.)	30	01.04.94	ITC LTD.- Hotels Division
Anand Nakul	44	Executive Director- Hotel Operations	20,09,054	B.A. (Hons.)	22	01.04.94	ITC LTD.- Hotels Division
Anantram A.	55	Vice President- Sales & Marketing	16,70,661	M.B.A., M.Sc.(Tourism) Scottish Hotels School, U.K.	32	01.04.94	ITC LTD.- Hotels Division
Bhatnagar M.S.	49	Vice President- Finance	15,33,467	B.Sc., M.B.A.	27	01.04.94	ITC LTD.- Hotels Division
Chandra Sekhar S	48	Executive Director- Projects, Development & Investments	20,51,844	B.Sc., F.C.A.	24	01.04.94	ITC LTD.- Hotels Division
Dhawan S. S.	51	Vice President- Leisure Hotels & General Manager- Rajputana Palace Sheraton	14,08,935	Dip. in Tourism Mgt. (Vienna)	30	01.04.94	ITC LTD.- Hotels Division
Jha H.M.	54	Vice President- Human Resources	14,25,765	B.A. (Hons.), Dip. in Persn. Mgt. & I.R.	29	01.04.94	ITC LTD.- Hotels Division
Katre V.	51	Vice President- Marketing West	12,42,799	M.A.	28	01.04.94	ITC LTD.- Hotels Division
Koch Hans E.	49	Vice President & General Manager- ITC Grand Maratha	93,77,261	Swiss Federal Inst. of Tech., Dip. in Higher Studies in Hotel & Rest. Mgt.	19	01.12.99	Hotels Division Hilton Osaka, Japan
Munjal O. P.	57	President- Maharaja Heritage Resorts	14,95,536	M.B.A.	30	01.04.94	ITC LTD.- Hotels Division
Narang C. B.	58	Vice President- Food & Beverage Services & Internal Support	14,20,334	Dip. in Hotel Mgt. (France)	32	01.04.94	ITC LTD.- Hotels Division
Noronha A. R.	47	Vice President- Projects	14,49,478	B.E. (Elec.)	24	01.04.94	ITC LTD.- Hotels Division
Parmar J. S.	55	Vice President- Project Coordination	13,63,234	Dip. in Hotel Mgt. & Catering Tech.	32	01.02.99	Bharat Hotels Ltd.

Name	Age	Designation/ Nature of Duties	Gross Remuneration (Rs.)	Qualifications	Experience (Years)	Date of Commencement of Employment	Previous Employment/ Position of Employment
Employed throughout the year and in receipt of remuneration aggregating Rs. 12,00,000/- or more							
Qing Liang Xiao	39	Chinese Chef- ITC Maurya Sheraton	19,59,040	Chinese Cooking, Cooking School of Beijing Tourism	18	16.04.99	The Great Wall Sheraton
Rajput A.	45	Vice President- Project Finance & Development	14,41,385	B.Com., M.B.A.	26	01.04.94	ITC LTD.- Hotels Division
Tandon A. K.	50	Company Solicitor	13,82,660	B.Sc., LL.B., A.C.S.	26	01.04.94	ITC LTD.- Hotels Division
Verma P. K.	54	Senior Exec. Vice President- Hotel Operations (Co-ordination & Support)	19,12,258	B.Sc., (Chem. Tech.), M.B.A., Dip. in Hotel Mgt.	30	01.04.94	ITC LTD.- Hotels Division

Employed for a part of the year and in receipt of remuneration aggregating Rs. 1,00,000/- or more per month							
Malhotra K. K.	60	President	32,95,099	Dip. in Hotel Mgt. & Catering, M.H.C.I.	36	01.04.94	ITC LTD.- Hotels Division
Rudyle John	58	Senior Project Manager- ITC Sonar Bangla	41,41,161	B.Sc., Arch., Masters in Bldg. Renovation	28	01.08.00	Abu Dhabi Trade Centre
Sarin Deepak	52	Vice President- Projects (East)	7,10,667	B.Sc., M.B.A., Dip. in Hotel Mgt.	29	08.06.00	DLF Universal Ltd.

Notes:

- Gross remuneration comprises salary, allowances, bonus, value of perquisites, Company's contribution to provident, pension and gratuity funds.
- All appointments are/were contractual.
- None of the employees is/was a relative of any Director of the Company.

On behalf of the Board

S.S.H. Rehman Managing Director
K. Vaidyanath Director

Kolkata, 18th May, 2001

REPORT OF THE AUDITORS TO THE MEMBERS

- We report that we have audited the Balance Sheet of ITC Hotels Limited as at 31st March, 2001 and the relative Profit and Loss Account for the year ended on that date, both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account together with the notes thereon/attached thereto and the Statement on Significant Accounting Policies give, subject to matter stated in Para 2.1 below, in the prescribed manner, the information required by the Companies Act, 1956 of India ("The Act"), and also give respectively, a true and fair view of the state of the Company's affairs as at 31st March, 2001 and its profit for the year ended on that date.
- 2.1 Reference Note (vii) of Schedule 18, the Company has sought exemption from disclosure required under para 3(i)(a) of Part II of Schedule VI of the Companies Act, 1956. Pending receipt of such approval for the year, the Company has disclosed information as required under exemption orders obtained in the earlier years.
- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as appears from our examination of the books. In our opinion these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the "The Act" to the extent applicable.
- Based on representations made by all the Directors of the Company and the information and explanations as made available, the Directors of the Company do not *prima facie* have any disqualification as referred to in Clause (g) of sub-section (1) to Section 274 of "The Act".
- As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988 dated 7th September, 1988 and issued by the Central Government of India and on the basis of such checks as we considered appropriate and the information and explanations given to us, we further report that:
 - The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets have been physically verified by the management at regular intervals and no material discrepancies between the book records and the physical inventory have been noticed.
 - The fixed assets of the Company have not been revalued during the year.
 - The stocks of stores, supplies, food, beverage, cigarettes, etc. of the Company at all its locations have been physically verified by the management during the year at reasonable intervals.
 - In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - The discrepancies between the physical stocks and the book stocks which have been properly dealt with in the books of account were not material.
 - In our opinion, the valuation of stocks of stores, supplies, food, beverage, cigarettes, etc. has been fair and proper in accordance with the normally accepted accounting principles followed in India and is on the same basis as in the preceding year.
 - The Company has not taken any loans, secured or unsecured, from Companies, firms or other parties as listed in the register maintained under Section 301 of "The Act". In terms of sub section (6) of Section 370 of "The Act", provisions of the section are not applicable to a Company on or after the commencement of the Companies (Amendment) Act, 1999 of India.
 - The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties listed in the register maintained under Section 301 of "The Act" in terms of sub section (6) of Section 370 of "The Act", provisions of the section are not applicable to a Company on or after the commencement of the Companies (Amendment) Act, 1999 of India.
 - The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.

- In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, provisions (food, beverages, cigarettes, etc.) including components, plant and machinery, equipment and other assets, and for the sale of room, food, beverages, cigarettes, etc., and other services.
- The Company has not entered into transactions of purchases during the year of any stores, provisions (food, beverages, cigarettes, etc.) and of sale of rooms, food, beverages, cigarettes, services etc., made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and aggregating to Rs. 50,000/- or more in value.
- Unserviceable or damaged stores and provisions (food, beverages, cigarettes, etc.) have been determined and provision for loss has been made in the accounts.
- The Company has not accepted any deposits from the public.
- In our opinion, reasonable records have been maintained by the Company for sale and disposal of realisable scrap. There are no by-products arising out of the operations of the Company.
- In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- Maintenance of cost records has not been prescribed by the Central Government of India under Section 209(1)(d) of "The Act".
- The Company is regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities in India.
- There are no undisputed amounts in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty outstanding as at 31st March, 2001 for a period of more than six months from the date they became payable.
- During the course of our examination of the books of account, carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, other than those payable under contractual obligations and accepted business practices, nor have we been informed of such case by the management.
- The Company is not a Sick Industrial Company within the meaning of Clause (o) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 of India.
- In respect of service activities :-
 - In our opinion, the Company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the relative departments, commensurate with its size and nature of its business.
 - In our opinion, the Company has a reasonable system of allocating man hours utilised to the departments, commensurate with its size and nature of its business.
 - In our opinion, there is a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the Company and the nature of its business on the issue of stores and allocation of stores and labour to departments.
- As regards the Company's trading activities, damaged goods have been determined by the Company the value of which is not significant, and necessary provision has been made in the accounts for the loss.
- The investments are held in the name of the Company.

For LOVELOCK & LEWES
Chartered Accountants
KAUSHIK DUTTA
Partner

Kolkata, 18th May, 2001

ITC HOTELS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2001

	Schedule	As at 31st March, 2001		As at 31st March, 2000	
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
(a) Share Capital	1	30,21,00,420		30,20,98,420	
(b) Reserves & Surplus	2	2,03,21,86,378	2,33,42,86,798	1,93,85,86,345	2,24,06,84,765
2. Loan Funds					
(a) Secured Loans	3	8,92,75,750		16,89,03,250	
(b) Unsecured Loans	4	15,00,00,000	23,92,75,750	—	16,89,03,250
Total			2,57,35,62,548		2,40,95,88,015
II. APPLICATION OF FUNDS					
1. Fixed Assets	5				
(a) Gross Block		1,87,35,59,053		1,91,55,81,313	
(b) Less-Depreciation		48,65,17,264		39,07,12,065	
(c) Net Block		1,38,70,41,789		1,52,48,69,248	
(d) Capital Work-in-Progress		2,36,01,064	1,41,06,42,853	1,36,42,332	1,53,85,11,580
2. Investments	6		67,35,23,610		61,58,06,610
3. Current Assets, Loans & Advances					
(a) Inventories	7	3,06,48,371		3,52,20,524	
(b) Sundry Debtors	8	8,90,11,761		10,65,38,500	
(c) Cash & Bank Balances	9	10,07,65,453		5,02,27,831	
(d) Other Current Assets	10	27,12,23,400		26,86,15,372	
(e) Loans & Advances	11	32,61,08,591		31,79,50,115	
		81,77,57,576		77,85,52,342	
Less : Current Liabilities & Provisions					
(a) Liabilities	12	29,50,62,917		48,64,18,397	
(b) Provisions	13	3,32,98,574		3,68,64,120	
		32,83,61,491		52,32,82,517	
Net Current Assets			48,93,96,085		25,52,69,825
Total			2,57,35,62,548		2,40,95,88,015
Notes to the Accounts	18				
Significant Accounting Policies	19				

The Schedules referred to above form
an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

For LOVELOCK & LEWES
Chartered Accountants
KAUSHIK DUTTA
Partner
Kolkata, 18th May, 2001

S. S. H. REHMAN
K. VAIDYANATH
M. RIAZ AHMED

On behalf of the Board
Managing Director
Director
Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

	Schedule	For the year ended 31st March, 2001		For the year ended 31st March, 2000	
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
I. INCOME					
Income from Operations	14		1,32,90,49,682		1,30,09,22,625
Other Income	15		1,83,23,409		1,01,54,711
			1,34,73,73,091		1,31,10,77,336
II. EXPENDITURE					
Food, Beverage, Cigarettes, etc. Consumed	16		11,34,65,000		10,44,72,103
Operating and Administrative Expenses	17		96,54,56,328		94,11,57,265
Interest Paid — Debentures & Term Loans			2,80,40,780		3,90,31,481
— Others			6,84,206		34,19,579
Depreciation			9,78,35,170		8,74,27,243
			1,20,54,81,484		1,17,55,07,671
III. PROFIT					
Profit Before Taxation			14,18,91,607		13,55,69,665
Provision For Taxation			1,50,00,000		1,58,75,370
Profit After Taxation			12,68,91,607		11,96,94,295
Profit Brought Forward			8,14,86,600		14,26,56,425
Transfer to Foreign Exchange Earnings Reserve		(2,00,00,000)		(2,75,00,000)	
Release from Foreign Exchange Earnings Reserve		1,22,00,000	(78,00,000)	1,35,00,000	(1,40,00,000)
Release from Debenture Redemption Reserve			4,00,00,000		4,00,00,000
Available for Appropriation			24,05,78,207		28,83,50,720
IV. APPROPRIATIONS					
General Reserve			14,50,00,000		17,00,00,000
Proposed Equity Dividend			3,02,16,492		3,02,16,492
Tax on Proposed Dividend			30,82,082		66,47,628
Profit Carried Forward			6,22,79,633		8,14,86,600
			24,05,78,207		28,83,50,720
Notes to the Accounts	18				
Significant Accounting Policies	19				

The Schedules referred to above form an
integral part of the Profit & Loss Account.

This is the Profit & Loss Account referred to in our Report of even date.

For LOVELOCK & LEWES
Chartered Accountants
KAUSHIK DUTTA
Partner
Kolkata, 18th May, 2001

S. S. H. REHMAN
K. VAIDYANATH
M. RIAZ AHMED

On behalf of the Board
Managing Director
Director
Company Secretary

ITC HOTELS LIMITED

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)		As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
1. SHARE CAPITAL			2. RESERVES AND SURPLUS (Contd.)		
Authorised			Profit & Loss Account	1,22,00,000	1,35,00,000
5,00,00,000 Equity Shares of Rs. 10/- each	50,00,00,000	50,00,00,000	Add: Transferred from		
50,000 - 15% Cumulative Redeemable			Profit & Loss Account	2,00,00,000	2,75,00,000
Preference Shares of					6,30,90,000
Rs. 100/- each	50,00,000	50,00,000	Debiture Redemption Reserve		
	50,50,00,000	50,50,00,000	At the commencement of the year	8,50,00,000	12,50,00,000
Issued			Less: Transferred to		
3,02,40,157 Equity Shares of Rs. 10/- each	30,24,01,570	30,24,01,570	Profit & Loss Account	4,00,00,000	4,50,00,000
Subscribed and Paid-up					8,50,00,000
*3,02,16,492 Equity Shares of Rs. 10/- each	30,21,64,920	30,21,64,920	Capital Reserve	1,71,081	1,71,081
(Previous Year 3,02,16,492)			Balance in Profit & Loss Account	6,22,79,633	8,14,86,600
Less: Amount in arrears	64,500	66,500		2,03,21,86,378	1,93,85,86,345
	30,21,00,420	30,20,98,420			

*Includes

- 2,15,24,360 Equity Shares of Rs. 10/- each fully paid up held by the Holding Company, I.T.C. Limited.
- 23,94,000 Equity Shares of Rs. 10/- each allotted in 1992/93 as fully paid up Bonus Shares by way of capitalisation of Capital Reserve and General Reserve.

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)		As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
2. RESERVES AND SURPLUS			4. UNSECURED LOANS		
Capital Redemption Reserve	30,00,000	30,00,000	15,00,00,000 - 11% Inter Corporate		
Share Premium Account	1,05,00,64,890	1,05,00,64,890	Deposit from Holding Company, I.T.C. Limited.	15,00,00,000	—
Less: Amount in Arrears	279,500	2,86,500		15,00,00,000	—
General Reserve					
At the commencement of the year	65,60,60,274	48,60,60,274			
Add: Transferred from					
Profit & Loss Account	14,50,00,000	17,00,00,000			
Foreign Exchange Earnings Reserve					
At the commencement of the year	6,30,90,000	4,90,90,000			
Less: Transferred to					

Notes:

- During the year the second instalment of Rs. 80/- per Debiture was redeemed on 17th June, 2000. The balance portion of Rs. 90/- per Debiture will be redeemed on 17th June, 2001 as per terms of allotment.
- Debitures are secured by way of mortgage and/or charge against movable and immovable properties of the Company, both present and future, wherever situated.

	Original Cost as at 1.4.2000 (Rs.)	Additions during the year (Rs.)	Withdrawals during the year (Rs.)	Original Cost as at 31.3.2001 (Rs.)	Depreciation for the year (Rs.)	Depreciation on Withdrawals (Rs.)	Depreciation up to 31.3.2001 (Rs.)	Net Block as at 31.3.2001 (Rs.)
5. FIXED ASSETS								
Particulars								
Freehold Land	9,33,38,120	2,12,34,344	—	11,45,72,464	—	—	—	11,45,72,464
Leasehold Land	23,20,84,166	—	23,14,72,016	6,12,150	—	—	—	6,12,150
Buildings	41,07,47,499	1,05,49,821	—	42,12,97,320	87,79,505	—	4,65,99,004	37,46,98,316
Building Improvement	10,76,25,059	5,40,76,125	—	16,17,01,184	79,31,119	—	2,58,58,946	13,58,42,238
Plant & Machinery	75,66,25,313	7,04,52,422	31,85,838	82,38,91,897	5,59,24,829	13,63,936	28,59,91,498	53,79,00,399
Furniture & Fixtures	29,24,37,292	2,91,45,032	1,75,836	32,14,06,488	2,28,15,118	33,741	12,08,38,785	20,05,67,703
Motor Vehicles	2,27,23,864	93,19,974	19,66,288	3,00,77,550	23,84,599	6,32,294	72,29,031	2,28,48,519
	1,91,55,81,313	19,47,77,718	23,67,99,978	1,87,35,59,053	9,78,35,170	20,29,971	48,65,17,264	1,38,70,41,789
Capital Work-in-Progress	1,36,42,332	14,37,10,277	13,37,51,545	2,36,01,064	—	—	—	2,36,01,064
Total	1,92,92,23,645	33,84,87,995	37,05,51,523	1,89,71,60,117	9,78,35,170	20,29,971	48,65,17,264	1,41,06,42,853
Previous Year	1,76,65,61,444	44,39,92,233	28,13,30,032	1,92,92,23,645	8,74,27,243	52,22,747	39,07,12,065	1,53,85,11,580

Note: Leasehold land of Rs. 6,12,150/- for a period of 90 years has not been amortised.

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)		As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
6. INVESTMENTS - AT COST			7. INVENTORIES - AT COST		
Unquoted - Long Term			Food, Beverage, Cigarettes etc.	1,19,83,421	1,24,84,919
(a) Trade Investments			Stores and Supplies	1,86,64,950	2,27,35,605
— Ansal Hotels Limited				3,06,48,371	3,52,20,524
2,72,79,310 (Previous Year 2,15,05,310)					
Equity Shares of Rs. 10/- each					
fully paid including Stamp Duty of Rs. 5,22,023/-					
(Previous Year Rs. 5,22,023/-) and Premium of					
Rs. 20/- per share on 1,04,12,950					
(Previous Year 1,04,12,950) Equity Shares	48,15,74,123	42,38,34,123			
— Maharaja Heritage Resorts Private Limited					
(5,000 Equity Shares of Rs. 100/- each fully paid)	5,00,000	5,00,000			
— Bihar Hotels Limited					
(40,000 Equity Shares of Rs. 10/- each fully paid)	4,00,000	4,00,000			
(b) Subsidiary Companies					
— Srinivasa Resorts Limited					
(1,63,20,477 Equity Shares of Rs. 10/- each					
fully paid including Stamp Duty of Rs. 1,56,084/-					
and Premium of Rs. 7.50 per share on 29,21,198					
Equity Shares)	18,52,69,839	18,52,69,839			
— Fortune Park Hotels Limited					
(4,50,001 Equity Shares of Rs. 10/- each fully paid)	45,00,010	45,00,010			
— Bay Islands Hotels Limited					
(11,875 Equity Shares of Rs. 100/- each fully paid	11,93,438	11,93,438			
including Stamp Duty of Rs. 5,938/-)					
(c) Government Securities - National Savings					
Certificates/Indira Vikas Patras - (Deposits					
with or for deposit with various authorities)	86,200	1,09,200			
	67,35,23,610	61,58,06,610			

SCHEDULES TO THE ACCOUNTS (Contd.)

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
10. OTHER CURRENT ASSETS (Unsecured—considered good)		
Deposits with Government, Public Bodies & Others	27,10,49,478	26,80,94,888
Interest Accrued on Deposits / Investments etc.	1,73,922	5,20,484
	<u>27,12,23,400</u>	<u>26,86,15,372</u>
11. LOANS AND ADVANCES (Unsecured — considered good)		
Loans to Others*	9,10,45,633	11,90,27,348
Advances recoverable in cash or in kind or for value to be received**	16,24,92,876	11,46,03,762
Advances with Subsidiaries	1,91,42,248	2,20,91,936
Advances with Government and Public Bodies***	5,34,27,834	6,22,27,069
	<u>32,61,08,591</u>	<u>31,79,50,115</u>
* Includes Loans and Advances to Executive Directors & Company Secretary of Rs. 47,02,275/- (Previous Year — Rs. 10,96,685/-). The maximum amount due during the year was Rs. 47,57,995/- (Previous Year — Rs. 11,43,185/-).		
** Includes Capital Advances of Rs. 36,23,702/- (Previous Year — Rs. 61,18,164/-).		
*** Includes an amount of Rs. 2,77,45,798/- (Previous Year — Rs. 1,89,80,913/-) being advance payment of Income Tax net of provisions. Also includes capital advances of Rs. 30,65,404/- (Previous Year — Rs. 2,13,67,044/-).		
12. LIABILITIES	(Rs.)	(Rs.)
Sundry Creditors*	27,64,33,810	46,13,39,838
Sundry Deposits	1,12,78,194	1,44,22,874
Unclaimed Dividend	24,93,962	35,74,998
Interest accrued but not due on Loans	48,56,951	70,80,687
	<u>29,50,62,917</u>	<u>48,64,18,397</u>
* Includes net advance received of Rs. Nil (Previous Year - 15,93,24,366/-) from Holding Company, I.T.C. Limited towards transfer of hotel project at Kolkata.		
13. PROVISIONS	(Rs.)	(Rs.)
Proposed Dividend	3,02,16,492	3,02,16,492
Tax on Proposed Dividend	30,82,082	66,47,628
	<u>3,32,98,574</u>	<u>3,68,64,120</u>
	For the year ended 31st March, 2001 (Rs.)	For the year ended 31st March, 2000 (Rs.)
14. INCOME FROM OPERATIONS		
Rooms	57,78,91,153	55,17,64,391
Food & Beverage	38,69,37,452	35,75,18,704
Recreation & Services	15,67,12,226	12,94,46,163
Management Consultancy & Other Services	20,15,79,145	25,82,76,827
Miscellaneous Income	36,41,362	23,86,660
Gain on Exchange (Net)	—	1,01,518
Insurance Claims	22,88,344	14,28,362
	<u>1,32,90,49,682</u>	<u>1,30,09,22,625</u>
15. OTHER INCOME		
Income from Investments — Trade	60,000	60,000
— Others	20,686	13,169
Interest on Loans and Deposits etc.*	72,43,557	1,00,81,542
Profit on Sale of Fixed Assets (Net)	1,09,99,166	—
	<u>1,83,23,409</u>	<u>1,01,54,711</u>
* The Income from Interest on Loans and Deposits etc. are stated gross, the amount of Income Tax deducted thereon is Rs. 11,95,259/- (Previous Year — Rs. 19,27,717/-).		
16. FOOD, BEVERAGE, CIGARETTES, ETC. CONSUMED	(Rs.)	(Rs.)
Opening Stock	1,24,84,919	1,35,21,100
Add : Purchases	11,29,63,502	10,34,35,922
	<u>12,54,48,421</u>	<u>11,69,57,022</u>
Less : Closing Stock	1,19,83,421	1,24,84,919
	<u>11,34,65,000</u>	<u>10,44,72,103</u>
17. OPERATING AND ADMINISTRATIVE EXPENSES	(Rs.)	(Rs.)
Salaries, Wages and Bonus	21,78,24,323	18,50,87,960
Contribution to Provident and Other Funds	1,73,45,003	1,57,20,715
Workmen and Staff Welfare Expenses	4,58,52,534	4,41,33,564
Contribution to Gratuity Funds	<u>56,45,200</u>	<u>28,66,07,060</u>
Insurance	2,16,96,547	1,26,55,272
Consumption of Stores and Supplies	8,17,10,972	7,94,05,346
Power and Fuel	15,85,98,048	15,00,56,234
Rent (including licence fees)	8,71,56,058	9,00,92,078
Repairs — Building	1,68,02,673	1,65,75,863
— Machinery	3,00,68,004	3,17,62,457
— Others	1,31,58,414	1,19,57,102
Rates and Taxes	3,10,80,607	2,19,40,164
Advertising/Sales Promotion/ Market Research etc.	3,99,78,948	5,49,81,172
Legal Expenses	12,75,190	11,59,200
Training	67,50,163	49,04,380
Travelling and Conveyance	4,73,70,607	4,99,17,157
Postage, Telephone, Telex etc.	3,68,48,225	4,44,01,891
Miscellaneous — Others	7,04,58,175	7,95,06,730
Technical & Consultancy Fees	3,86,48,602	9,27,64,037
Loss on Exchange (Net)	2,44,206	—
Commission paid to Travel Agents	33,99,156	38,12,530
Payments to Auditors	—	—
— Audit Fees	8,00,000	7,00,000
— Certification Other Services etc.	<u>10,35,342</u>	<u>7,75,475</u>
Doubtful & Bad Debts written off	7,67,666	6,46,181
Advances written off	—	1,11,487
Fixed Assets Discarded/Sold (Net of Realisation)	—	<u>10,13,086</u>
	<u>97,45,14,663</u>	<u>1,01,65,08,609</u>
Deduct : Transfer to Fixed Assets	90,58,335	7,53,51,344
	<u>96,54,56,328</u>	<u>94,11,57,265</u>

18. NOTES TO THE ACCOUNTS

- The estimated amount of contracts remaining to be executed on capital account not provided for Rs. 1,50,75,475/- (Previous Year — Rs. 8,08,82,696/-).
- Contingent Liability :
 - Corporate Guarantees outstanding - Rs. 20.00 Crores (Previous Year - Rs. 20.00 Crores)
 - Claims against the Company not acknowledged as debt - Rs. 1,88,27,370/- (Previous Year — Rs. 1,85,02,554/-).
 - In respect of Taxation matters Rs. 2,78,41,450/- (Previous Year - Rs. 44,82,068/-).
- The suit filed by the third party in September 1980 for cancellation of lease in respect of Bangalore land appurtenant to Hotel Windsor Manor is still sub-judice. In the opinion of the Board of Directors, based upon legal advice, the Company's title is tenable.
- Interest on Debentures & Term Loans is stated net of capitalised interest of Rs. 18,10,048/- (Previous Year Rs. 3,30,822/-).
- An amount of Rs. 2,18,99,427/- incurred on Voluntary Retirement Scheme introduced during the year has been charged to Profit & Loss Account.
- Depreciation has been charged to the Accounts under Straight Line method. For the assets acquired prior to 02.04.87 the rates (percentage) applied are — Building — 1.64, Plant & Machinery — 5.28, Furniture & Fittings — 5.28 and Motor Vehicles — 7.31. In respect of assets acquired on or after 02.04.87 depreciation has been provided as per the rates specified in Schedule XIV of the Companies Act, 1956, except for building improvement, which is being amortised over the licence period.
- The Ministry of Law, Justice and Company Affairs (Department of Company Affairs) Government of India has been consistently exempting the Company, on a year to year basis, in terms of the provisions of Section 211(4) of the Companies Act, 1956, upto 31st March, 2000, from disclosing quantitative details of turnover and consumption in respect of various classes of goods dealt with by the Company as required under Para 3 (i)(a) of Part II, Schedule VI of the Companies Act, 1956, subject to disclosure of certain information, based on which the following information is furnished :

	Current Year (Rs.)	Previous Year (Rs.)
(a) Income from :		
(i) Wine and Liquor	6,00,42,345	5,55,42,001
(ii) Telephone & Telex	5,15,94,235	6,06,72,387
(b) Consumption of :		
(i) Provisions, Beverages (excluding Wine & Liquor)	9,54,25,484	8,77,18,660
(ii) Wine and Liquor	1,80,39,516	1,67,53,443
	<u>11,34,65,000</u>	<u>10,44,72,103</u>

Approval in respect of the application made by the Company for similar exemption for the year ended 31st March, 2001, is expected shortly.

	Current Year (Rs.)	Previous Year (Rs.)
viii) (1) CIF Value of Imports :		
a) Capital Goods	1,28,83,925	1,14,90,694
b) Raw Materials	8,79,643	8,18,081
c) Stores & Supplies	75,992	8,37,721
d) Other Goods	80,718	22,107
(2) Value of consumption of Raw Materials, Stores & Supplies :		
	Current Year (Rs.)	Previous Year (Rs.)
Raw Materials :		
— Imported	58,29,489	5.14 60,89,130
— Indigenous	10,76,35,511	94.86 9,83,82,973
	<u>11,34,65,000</u>	<u>100.00 10,44,72,103</u>
Stores & Supplies :		
— Imported	1,24,683	0.15 4,32,046
— Indigenous	8,15,86,289	99.85 7,89,73,300
	<u>8,17,10,972</u>	<u>100.00 7,94,05,346</u>

ix) Earnings in Foreign Currency — *Rs. 65,70,55,716/- (Previous Year — Rs. 63,25,57,696/-)

* As reported by the Company to the Department of Tourism, Government of India and includes Rs. 52,33,54,308/- (Previous Year — Rs. 49,94,10,516/-) being Indirect Foreign Exchange Earnings during the year through Credit Cards and Travel Agencies, etc., as certified by the Bankers.

x) Expenditure in Foreign Currency : (On payment basis)	Current Year (Rs.)	Previous Year (Rs.)
Travel	28,70,123	40,40,892
Hotel Reservation/Marketing Expenses	3,89,20,915	1,63,54,361
Technical & Consultancy Fees and Others	84,64,300	3,12,83,567
	<u>5,02,55,338</u>	<u>5,16,78,820</u>
xi) Directors' Remuneration :		
(i) Executive Directors' Remuneration		
(a) Salaries	38,710	—
(b) Other perquisites	6,374	—
(c) Contribution to Provident and other funds	9,030	—
	<u>54,114</u>	<u>—</u>
(ii) Non-Executive Directors' Commission	3,00,000	1,80,000

SCHEDULES TO THE ACCOUNTS (Contd.)

Directors' Remuneration (Contd.)	Current Year		Previous Year	
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
(iii) Computation of Directors' Remuneration :				
Profit Before Taxation		14,18,91,607		13,55,69,665
Add : Executive Directors' Remuneration	54,114			
Non-Executive Directors' Commission	3,00,000		1,80,000	
Book Depreciation	9,78,35,170		8,74,27,243	
Provision for Doubtful Debts	7,67,666		5,44,793	
Adjusted (Profit)/Loss on sale of Fixed assets	15,28,818	10,04,85,768	10,13,086	8,91,65,122
Less : Adjusted (Profit)/Loss on sale of Fixed Assets u/s 349 of the Companies Act, 1956	—		4,34,811	
Depreciation u/s 350 of the Companies Act, 1956	9,78,35,170		12,20,68,883	
Capital Profit on sale of Fixed assets	1,25,27,984	11,03,63,154	—	12,25,03,694
Profit for the purpose of Directors' Commission		13,20,14,221		10,22,31,093
Non-Executive Directors' Commission at 1% of above		13,20,142		10,22,311
Restricted to Rs. 1,00,000/- (Previous Year Rs. 60,000/-) for each of the three (Previous Year - three) Non-Executive Directors		3,00,000		1,80,000

Note : Mr. S.S.H. Rehman, Managing Director shall not receive any remuneration from the Company in view of his wholetime Directorship with the Holding Company, I.T.C. Limited.

Mr. Nakul Anand and Mr. S.C. Sekhar were appointed Additional & Executive Directors with effect from 28th March, 2001. Their appointment and remuneration is subject to the approval of the shareholders.

xii) The Salaries, Wages and Bonus, Contribution to Provident Fund & Other Funds and Workmen & Staff Welfare Expenses is net of recoveries of Rs. 30,51,99,016/- (Previous Year- Rs. 22,31,97,569/-).

xiii) Retirement Benefits in respect of Pension, Gratuity etc. are provided for based on Actuarial Valuations as at the Balance Sheet date.

xiv) The outstanding liabilities as at the close of the year do not include any amounts due to any small scale industrial undertaking as defined under section 3(j) of the Industries (Development & Regulation) Act, 1951.

xv) Previous Year's figures have been regrouped/rearranged wherever necessary.

19. SIGNIFICANT ACCOUNTING POLICIES

i) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

To prepare financial statements in accordance with the historical cost convention, generally accepted accounting principles in India and relevant presentational requirements of the Companies Act, 1956.

ii) TURNOVER

To state Turnover, which represents invoiced value of goods sold and services rendered, net of taxes.

iii) FIXED ASSETS

To state Fixed Assets at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. In respect of major projects involving construction, related pre-operational expenses form part of the value of the assets capitalised.

iv) DEPRECIATION

To provide depreciation in respect of all Assets acquired up to 1st April, 1987 on straight line method at the rates corresponding to the rates specified under Income Tax Rules and for additions on or after 2nd April, 1987, on straight line method at the rates as specified in Schedule XIV of the Companies Act, 1956.

v) INVENTORIES

To value all inventories at lower of cost and net realisable value. Cost includes freight and other related incidental expenses and is computed on weighted average method.

vi) RETIREMENT BENEFITS

To make regular monthly contributions to various Provident Funds, Pension Funds and Gratuity Funds which are charged against revenue. To administer through duly constituted and approved independent trusts, various funds with the exception of Provident Fund with regard to Non-Management Staff the contributions in respect of which are statutorily deposited with the Government.

vii) PROPOSED DIVIDEND

To provide for Dividend as proposed by the Directors in the books of account, pending approval at the Annual General Meeting.

viii) FOREIGN CURRENCY TRANSLATIONS

To record transactions in foreign currencies at the exchange rates prevailing on the date of the transaction. Payments made in foreign currency are converted at the applicable rates prevailing on the day of remittance. Liability/Receivables on account of foreign currency are converted at the exchange rates prevailing as at the end of the year and gains/losses thereon are taken to Profit and Loss Account.

ix) INVESTMENTS

To state Long Term Investments at cost. Where applicable, provision is made where there is a permanent fall in valuation of investments.

x) BORROWING COSTS

To capitalise the borrowing costs that are directly attributable to the acquisition or construction of that capital asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

xi) FINANCIAL & MANAGEMENT INFORMATION SYSTEMS

To practice an integrated Accounting System which unifies both Financial Books and Costing Records. The books of account and other records have been designed to ensure compliance of the relevant provisions of the Companies Act, 1956 on the one hand, and meet the internal requirements of information and systems for Planning, Review and Internal Control (designed and based on "Uniform System of Accounts for Hotels"), on the other.

On behalf of the Board

S. S. H. REHMAN
K. VAIDYANATH
M. RIAZ AHMED

Managing Director
Director
Company Secretary

Kolkata, 18th May, 2001

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. 6079

State Code 55

Balance Sheet Date 31 03 2001
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue
N.A.

Rights Issue
N.A.

Bonus Issue
N.A.

Private Placement
N.A.

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities
2901924

Total Assets
2901924

Sources of Funds

Paid up Capital
302101

Reserves & Surplus
2032186

Secured Loans
89276

Unsecured Loans
150000

Application of Funds

Net Fixed Assets
1410643

Investments
673524

Net Current Assets
489396

Misc. Expenditure
N.A.

Accumulated Losses
N.A.

IV. Performance of Company (Amount in Rs. Thousands)

Turnover**
1347373
** Includes Other Income

Total Expenditure
1205481

Profit/Loss Before Tax
+ - 141892

Profit/Loss After Tax
+ - 126892

(Please tick the appropriate box + for profit, - for loss)

Earnings per Share in Rs.

4.20

Dividend Rate %

10

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. *** N.A.

Product Description HOTELS

*** No item code has been assigned to 'Hotels' under the Indian Trade Classification.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2001

	31st March, 2001 (Rs.)	31st March, 2000 (Rs.)		31st March, 2001 (Rs.)	31st March, 2000 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES			B. CASH FLOW FROM INVESTING ACTIVITIES		
Net Profit Before Tax & Extraordinary Items	14,18,91,607	13,55,69,665	Purchase of Fixed Assets	(19,14,69,013)	(17,35,16,773)
Adjustments for :			Sale of Fixed Assets	8,64,44,809	16,11,81,993
Depreciation	9,78,35,170	8,74,27,243	Project Capital Advance	2,07,96,102	9,28,20,594
Foreign Exchange (Profit)/Loss [Translations]	2,47,646	42,102	Purchase of Investments	(2,88,47,000)	(39,03,19,923)
(Profit)/Loss from Sale of Investment			Interest/Dividend Received	68,13,134	88,21,677
& Fixed Assets	(1,09,99,166)	10,13,086	Repayment of Loan	3,75,00,000	4,00,00,000
Interest/Dividend Received	(73,24,243)	(1,01,54,711)	Net Cash from Investing Activities	(6,87,61,968)	(26,10,12,432)
Provision for Doubtful Debts	7,67,666	5,44,793	C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest Paid	2,87,24,986	4,24,51,060	Proceeds from Issue of Share Capital	9,000	10,250
Operating Profit Before Working Capital Changes	25,11,43,666	25,68,93,238	Proceeds from Long Term/Other Borrowings	15,00,00,000	7,000
Adjustments for :			Repayment of Long Term/Other Borrowings	(7,93,11,500)	(7,94,74,750)
Changes in Trade & Other Receivables	(7,32,12,788)	10,10,73,844	Dividend Paid (incl. tax on Dividend)	(3,79,45,156)	(4,99,32,251)
Changes in Inventories	45,72,153	11,87,116	Interest Paid	(3,27,58,771)	(4,62,81,416)
Changes in Trade Payables	(4,07,47,376)	5,82,57,536	Net Cash used in or Generated from		
Cash Generated from Operations	14,17,55,655	41,74,71,734	Financing Activities	(6,427)	(17,56,71,167)
Direct Taxes paid in respect of			NET INCREASE / (DECREASE) IN CASH	5,05,37,622	(3,96,50,792)
Operating Activities	(2,24,49,638)	(2,03,78,927)	ADD : OPENING CASH OR CASH EQUIVALENT	5,02,27,831	8,98,78,623
Cash Flow Before Extraordinary items	11,93,06,017	39,70,32,807	CLOSING CASH OR CASH EQUIVALENT	10,07,65,453	5,02,27,831
Net Cash from Operating Activities	11,93,06,017	39,70,32,807			

NOTES :

- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
- Cash & Cash Equivalent includes Foreign Currency in hand of Rs. 2,67,326/- (Previous Year - Rs. 3,05,165/-) and Margin Money with banks Rs. 1,92,000/- (Previous Year - Rs. 1,92,000/-).
- Total Taxes paid during the year Rs. 2,33,07,308/- (Previous Year - Rs. 2,23,06,644/-) includes Tax Deducted at Source on interest received, amounting to Rs. 8,57,670/- (Previous Year - Rs. 19,27,717/-).
- Previous Year's figures have been regrouped/rearranged wherever necessary.

Kolkata, 18th May, 2001

On behalf of the Board

S. S. H. REHMAN Managing Director
K. VAIDYANATH Director
M. RIAZ AHMED Company Secretary

Auditors' Report :

We have examined the above Cash Flow Statement of ITC Hotels Limited for the year ended 31st March, 2001. The above Cash Flow Statement has been compiled from and is based on the audited accounts of ITC Hotels Ltd. for the year ended 31st March, 2001 reported upon by us on 18th May, 2001. According to the information and explanations given, together with the Notes thereon, the aforesaid Cash Flow Statement has been prepared pursuant to Clause 32 of the Listing Agreement with Stock Exchanges and the reallocations required for the purpose are as made by the Company.

For LOVELOCK & LEWES
Chartered Accountants

KAUSHIK DUTTA
Partner

Kolkata, 18th May, 2001

STATEMENT REGARDING SUBSIDIARY COMPANIES

PURSUANT TO SECTION 212(1) AND (3) OF THE COMPANIES ACT, 1956

1. SRINIVASA RESORTS LIMITED	(Rs.)	3. BAY ISLANDS HOTELS LIMITED	(Rs.)
a) Holding Company's Interest : 1,63,20,477 Equity Shares of Rs. 10/- each, fully paid up being 68% of total subscribed and paid up Share Capital of the Company.		a) Holding Company's Interest : 11,875 Equity Shares of Rs. 100/- each, fully paid up being 100% of total subscribed and paid up Share Capital of the Company.	
b) Net aggregate amount of Subsidiary's profits/(losses) not dealt with in the Holding Company's accounts :		b) Net aggregate amount of Subsidiary's profits/(losses) not dealt with in the Holding Company's accounts :	
i) for the Subsidiary's financial year ended 31st March, 2001	4,49,17,969	i) for the Subsidiary's financial year ended 31st March, 2001	27,33,791
ii) for its previous financial years	(2,48,45,552)	ii) for its previous financial years	22,95,891
c) Net aggregate amount of Subsidiary's profits/(losses) dealt with in the Holding Company's accounts :		c) Net aggregate amount of Subsidiary's profits/(losses) dealt with in the Holding Company's accounts :	
i) for the Subsidiary's financial year ended 31st March, 2001	Nil	i) for the Subsidiary's financial year ended 31st March, 2001	Nil
ii) for its previous financial years	Nil	ii) for its previous financial years	Nil
On behalf of the Board		On behalf of the Board	
S. S. H. REHMAN Managing Director		S. S. H. REHMAN Managing Director	
K. VAIDYANATH Director		K. VAIDYANATH Director	
M. RIAZ AHMED Company Secretary		M. RIAZ AHMED Company Secretary	
Kolkata, 18th May, 2001		Kolkata, 18th May, 2001	
2. FORTUNE PARK HOTELS LIMITED	(Rs.)		
a) Holding Company's Interest : 4,50,001 Equity Shares of Rs. 10/- each, fully paid up being 99.99% of total subscribed and paid up Share Capital of the Company.			
b) Net aggregate amount of Subsidiary's profits/(losses) not dealt with in the Holding Company's accounts :			
i) for the Subsidiary's financial year ended 31st March, 2001	2,29,581		
ii) for its previous financial years	21,40,427		
c) Net aggregate amount of Subsidiary's profits/(losses) dealt with in the Holding Company's accounts :			
i) for the Subsidiary's financial year ended 31st March, 2001	Nil		
ii) for its previous financial years	Nil		
On behalf of the Board			
S. S. H. REHMAN Managing Director			
K. VAIDYANATH Director			
M. RIAZ AHMED Company Secretary			
Kolkata, 18th May, 2001			

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001

Your Directors submit their Report and Accounts for the financial year ended 31st March, 2001.

PERFORMANCE & HOTEL OPERATIONS

During the financial year ended 31st March, 2001, your Company recorded an income of Rs. 33.55 crores (previous year - Rs. 26.25 crores) registering a growth of 28% over previous year and profit before tax of Rs. 7.22 crores (previous year - Rs. 2.11 crores) registering handsome growth of 242%. The profit after tax grew by 234% to Rs. 6.61 crores (previous year - Rs. 1.98 crores), after providing for the payment of the minimum alternate tax of Rs. 61.20 lacs (previous year Rs. 13.54 lacs) as required under the provisions of Income Tax Act, 1961.

Your hotel viz., ITC Hotel Kakatiya Sheraton & Towers continued to maintain its dominance through higher occupancies and larger revenue market share in the five star hotel segment in the city of Hyderabad.

FOREIGN EXCHANGE EARNINGS AND OUTFLOW

During the year, your Company earned foreign exchange of Rs. 14.84 crores (previous year - Rs. 9.17 crores), a growth of 62% over previous year. The utilisation of foreign exchange was Rs. 96.30 lacs (previous year Rs. 36.79 lacs).

ENERGY/ ENVIRONMENT AND SAFETY

A state of the art energy efficient airconditioning plant installed during the year resulted in a significant reduction in the consumption of electrical energy.

Your Company's continued focus on hygiene, safety and environment resulted in the hotel being declared as the safest hotel by ITC's Safety Audit Team.

DIRECTORS

Mr. Gautam Anand resigned as the Managing Director and Director of your Company with effect from the close of business hours on 30th June, 2000. Your Directors would like to place on record their sincere appreciation of the services rendered by him during his tenure as Managing Director of the Company.

Your Directors appointed Mr. Dhunji Kavarana as an Additional Director and also as the Managing Director of the Company with effect from 2nd April, 2001. An appropriate resolution seeking your approval is appearing in the notice convening the Annual General Meeting of the Company.

In accordance with the provisions of Article 151 of the Articles of Association of the Company, Mr. Nakul Anand and Mr. B. N. Suresh Reddy will be retiring by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS' REPORT TO THE MEMBERS

We report that we have audited the Balance Sheet of M/s Srinivasa Resorts Limited as at March 31, 2001 and the relative Profit and Loss Account for the year ended on that date both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account.

In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the notes attached thereto and the Statement on Significant Accounting Policies give in the prescribed manner the information required by the Companies Act, 1956 and also give respectively, a true and fair view of the state of the Company's affairs as at March 31, 2001 and its profit for the year ended on that date.

Reference Note (ix) of Schedule 17, the Company has sought exemption from disclosure required under para 3(i)(a) of Part II of Schedule VI of the Companies Act, 1956. Pending receipt of such approval for the year, the Company has disclosed the information as required under exemption order obtained in the earlier years.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as appears from our examination of the books.

In our opinion these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211(3C) of the Companies Act, 1956.

On the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the director is disqualified as on March 31, 2001 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:

1. The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. As per the phased programme designed by the Company, all tangible fixed assets of the Company have been physically verified by the management at reasonable intervals and no material discrepancies between the book records and the physical inventory were noticed.
2. The fixed assets of the Company have not been revalued during the year.
3. In respect of stocks of stores, spare parts, food, beverages, cigarettes etc., physical verification has been conducted by the management at reasonable intervals.
4. In our opinion, the procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
5. The discrepancies noticed on the physical verification of stock as compared to book records, which were not material, have been properly dealt with in the books of account.
6. In our opinion, the valuation of stock is fair and proper in accordance with normally accepted accounting principles in India and is on the same basis as in the preceding year.
7. The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section 370 are not applicable to a Company.
8. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of the Section 370 of the Companies Act, 1956, provisions of the Section 370 are not applicable to a Company.
9. The Company has not granted any loans or advances in the nature of loans.
10. In our opinion there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of stores, provisions

EMPLOYEES

The relationship between the staff and management continued to be very cordial and your Directors place on record their appreciation for the invaluable contribution made by the employees in accomplishing the good performance of the hotel for the fifth consecutive year.

PARTICULARS OF EMPLOYEES

None of the employees fall under purview of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

AUDITORS

M/s. Lovelock & Lewes, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. Your Company's Audit Committee recommends their re-appointment.

RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors state that :

a) in the preparation of annual accounts under review the applicable accounting standards had been followed. b) appropriate accounting policies were selected and applied consistently and reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year under review and of the profit or loss of the Company for that period. c) proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. d) the annual accounts are prepared on a going concern basis. The required disclosures and significant accounting policies followed are appearing in Schedules 17 & 18, respectively, in the annual accounts.

The Audit Committee of the Company reviewed the financial statements for the year under review at its meeting held on 26th April, 2001 and recommended the same for the approval of the Board of Directors.

On behalf of the Board

G. Sivakumar Reddy
Chairman

Hyderabad, 27th April, 2001

(food, beverages, cigarettes, etc.,) including components, plant and machinery, equipment and similar assets and for the sale of room, food, beverages, cigarettes etc. and other services.

11. There are no contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and hence requirement of reporting regarding transactions of purchase of any stores, provisions (food, beverages, cigarettes, etc.) and sale of room, food, beverages, cigarettes, etc. made in pursuance of such contracts aggregating during the year to Rs. 50,000/- or more in respect of each party does not arise.
12. The Company has a system of determining unserviceable or damaged stores and provisions (food, beverages, cigarettes, etc.) on the basis of technical evaluation and on such basis, in our opinion, adequate provision for the loss has been made in the accounts.
13. The Company has not accepted any deposits from the public.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap, where applicable and significant. There are no by-products arising out of the operations of the Company.
15. The Company has an adequate internal audit system commensurate with the size and nature of its business.
16. The Central Government of India has not prescribed maintenance of cost records by the Company under Section 209(1)(d) of the Companies Act, 1956 for any of its products.
17. The Company has regularly deposited, during the year, Provident Fund and Employees' State Insurance dues with the appropriate authorities in India.
18. At the last day of the financial year there was no amount outstanding in respect of undisputed Income Tax, Wealth Tax, Customs Duty, Excise Duty and Sales Tax which were due for more than six months from the date they became payable.
19. During the course of our examination of the books and account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of such case by the management other than those payable under contractual obligations or normally accepted business practices.
20. The Company is not a Sick Industrial Company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 of India.
21. In respect of service activities:
 - a) The Company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the relative departments, commensurate with its size and nature of its business.
 - b) The Company has a reasonable system of allocating man-hours utilised to the departments, commensurate with its size and nature of its business.
 - c) There is a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the Company and the nature of its business on the issue of stores and allocation of stores and labour to departments.
22. As regards the Company's trading activities, damaged goods have been determined by the Company and necessary provision has been made in the accounts for the loss.

For LOVELOCK & LEWES
Chartered Accountants

S. GOPALAKRISHNAN
Partner

Hyderabad, 27th April, 2001

SRINIVASA RESORTS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2001

	Schedule	As at 31st March, 2001 (Rs.)	(Rs.)	As at 31st March, 2000 (Rs.)	(Rs.)
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
a) Share Capital	1	24,00,00,000		24,00,00,000	
b) Reserves and Surplus	2	2,96,12,863	26,96,12,863	94,603	24,00,94,603
2. Loan Funds					
Secured Loans	3		20,00,00,000		20,00,00,000
Total			46,96,12,863		44,00,94,603
II. APPLICATION OF FUNDS					
1. Fixed Assets	4				
a) Gross Block		54,89,28,180		44,54,00,969	
b) Less Depreciation		9,76,66,445		8,02,48,390	
c) Net Block		45,12,61,735		36,51,52,579	
d) Capital Work-in-Progress		5,54,118	45,18,15,853	8,13,598	36,59,66,177
2. Investments	5		10,000		10,000
3. Current Assets, Loans and Advances					
a) Inventories	6	57,80,073		61,86,668	
b) Sundry Debtors	7	1,24,46,210		1,53,96,888	
c) Cash & Bank Balances	8	1,60,83,461		3,10,81,125	
d) Other Current Assets	9	8,56,67,843		73,11,926	
e) Loans and Advances	10	1,45,18,816		1,13,92,424	
		13,44,96,403		7,13,69,031	
Less :					
Current Liabilities and Provisions	11	11,67,09,393	1,77,87,010	3,53,56,743	3,60,12,288
Net Current Assets					
4. Miscellaneous Expenditure	12		—		15,68,561
Profit & Loss Account					3,65,37,577
Total			46,96,12,863		44,00,94,603
Notes to the Accounts	17				
Significant Accounting Policies	18				

The Schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

For LOVELOCK & LEWES

Chartered Accountants

S. GOPALAKRISHNAN

Partner

Hyderabad, 27th April, 2001

On behalf of the Board

G. SIVAKUMAR REDDY
DHUNJI KAVARANA

Chairman
Managing Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

	Schedule	For the year ended 31st March, 2001 (Rs.)	For the year ended 31st March, 2000 (Rs.)	SCHEDULES TO THE ACCOUNTS	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
I. INCOME				1. SHARE CAPITAL		
Income from Operations	13	32,84,66,635	26,16,08,056	Authorised		
Other Income	14	70,10,304	8,98,454	2,40,00,000 Equity Shares of		
		33,54,76,939	26,25,06,510	Rs. 10/- each	24,00,00,000	24,00,00,000
II. EXPENDITURE				Issued and Subscribed		
Food, Beverage, Cigarettes, etc. Consumed	15	4,15,79,302	3,73,55,288	2,40,00,000 Equity Shares of Rs. 10/- each fully paid up.	24,00,00,000	24,00,00,000
Operating and Administrative Expenses	16	17,79,07,731	15,44,25,544	Of the above, 10,00,000 Equity Shares of Rs. 10/- each were allotted as fully paid up to the shareholders of the amalgamating company pursuant to the scheme of amalgamation without payment being received in Cash.		
Interest — Term Loan		2,56,41,931	2,76,09,042	1,63,20,477 (2000 — 1,63,20,477) Equity Shares of Rs. 10/- each fully paid up are held by the Holding Company — ITC Hotels Limited		
— Others		—	8,26,609			
Finance Charges		—	40,10,600			
Depreciation on Fixed Assets		1,77,65,339	1,67,33,715		24,00,00,000	24,00,00,000
Amortisation of Miscellaneous Expenditure		4,06,799	4,06,779			
		26,33,01,102	24,13,67,577			
III. Profit for the year before Taxation		7,21,75,837	2,11,38,933	2. RESERVES AND SURPLUS		
Less: Provision for Taxation		61,20,000	13,53,785	Capital Reserve	94,603	94,603
Profit for the year after Taxation		6,60,55,837	1,97,85,148	Balance in Profit and Loss Account	2,95,18,260	—
Loss brought forward		(3,65,37,577)	(5,63,22,725)		2,96,12,863	94,603
Profit carried to the Balance Sheet		2,95,18,260	(3,65,37,577)			
Notes to the Accounts	17					
Significant Accounting Policies	18					

The schedules referred to above form an integral part of the Profit & Loss Account.

This is the Profit & Loss Account referred to in our Report of even date.

For LOVELOCK & LEWES

Chartered Accountants

S. GOPALAKRISHNAN

Partner

Hyderabad, 27th April, 2001

On behalf of the Board

G. SIVAKUMAR REDDY
DHUNJI KAVARANA

Chairman
Managing Director

3. SECURED LOANS

Term Loans		
From Banks	20,00,00,000	20,00,00,000
(Secured by mortgage by deposit of title deeds relating to Company's Freehold Land and further by deeds of hypothecation in respect of movable properties, present and future, Guaranteed by Holding Company—ITC Hotels Limited)		
	20,00,00,000	20,00,00,000

SRINIVASA RESORTS LIMITED

SCHEDULES TO THE ACCOUNTS (Contd.)

4. FIXED ASSETS	Original Cost as at 1.4.2000 (Rs.)	Additions during the year (Rs.)	Withdrawals during the year (Rs.)	Original Cost as at 31.3.2001 (Rs.)	Depreciation for the year (Rs.)	Depreciation on Withdrawals (Rs.)	Depreciation up to 31.3.2001 (Rs.)	Net Block as at 31.3.2001 (Rs.)
Particulars								
Freehold Land	1,00,00,000	—	—	1,00,00,000	—	—	—	1,00,00,000
Building	25,96,11,123	—	—	25,96,11,123	42,31,661	—	2,09,18,510	23,86,92,613
Plant & Machinery	7,57,33,748	10,15,61,640	8,37,223	17,64,58,165	51,43,595	1,81,177	2,39,37,629	15,25,20,536
Furniture & Fixtures	9,62,81,921	31,12,438	—	9,93,94,359	80,51,221	—	5,18,30,534	4,75,63,825
Motor Vehicles	37,74,177	79,275	3,88,919	34,64,533	3,38,862	1,66,107	9,79,772	24,84,761
	<u>44,54,00,969</u>	<u>10,47,53,353</u>	<u>12,26,142</u>	<u>54,89,28,180</u>	<u>1,77,65,339</u>	<u>3,47,284</u>	<u>9,76,66,445</u>	<u>45,12,61,735</u>
Capital Work-in-Progress	8,13,598	5,11,742	7,71,222	5,54,118	—	—	—	5,54,118
Total	<u>44,62,14,567</u>	<u>10,52,65,095</u>	<u>19,97,364</u>	<u>54,94,82,298</u>	<u>1,77,65,339</u>	<u>3,47,284</u>	<u>9,76,66,445</u>	<u>45,18,15,853</u>
Previous Year	<u>43,90,38,611</u>	<u>92,20,981</u>	<u>20,45,025</u>	<u>44,62,14,567</u>	<u>1,67,33,715</u>	<u>1,29,086</u>	<u>8,02,48,390</u>	<u>36,59,66,177</u>
	As at 31st March, 2001 (Rs.)		As at 31st March, 2000 (Rs.)			For the year ended 31st March, 2001 (Rs.)	For the year ended 31st March, 2000 (Rs.)	
5. INVESTMENTS								
Unquoted — Long Term								
Government Securities	10,000		10,000					
(Deposited with Government Authorities)	<u>10,000</u>		<u>10,000</u>					
6. INVENTORIES								
Food, Beverage and Cigarettes, etc.	29,32,406		35,68,981					
Stores & Supplies	28,47,667		25,17,687					
	<u>57,80,073</u>		<u>61,86,668</u>					
7. SUNDRY DEBTORS								
Unsecured — considered good								
a) Debts outstanding for a period exceeding six months	18,03,564		16,18,119					
b) Other debts	1,06,42,646		1,37,78,769					
	<u>1,24,46,210</u>		<u>1,53,96,888</u>					
8. CASH AND BANK BALANCES								
Cash and Cheques on Hand	53,15,944		26,51,204					
With Scheduled Banks :								
On Current Accounts	10,32,429		5,59,414					
On Deposit Accounts	97,35,088		2,78,70,507					
	<u>1,60,83,461</u>		<u>3,10,81,125</u>					
9. OTHER CURRENT ASSETS								
Unsecured — considered good								
Deposits with Government, Public Bodies and Others	8,22,42,601		71,30,745					
Interest accrued on Deposits	34,25,242		1,81,181					
	<u>8,56,67,843</u>		<u>73,11,926</u>					
10. LOANS AND ADVANCES								
Unsecured — considered good								
Advances recoverable in cash or in kind or for value to be received								
Capital Advances	30,28,774		55,84,939					
Others	80,18,560		37,39,295					
Advance Tax (net of provision)	34,71,482		20,68,190					
	<u>1,45,18,816</u>		<u>1,13,92,424</u>					
11. CURRENT LIABILITIES & PROVISIONS								
Liabilities								
Sundry Creditors								
Dues to Small Scale Industrial undertakings	1,20,175		48,602					
Dues to other than Small Scale Industrial undertakings*	11,65,89,218		3,53,08,141					
	<u>11,67,09,393</u>		<u>3,53,56,743</u>					
*Includes due to Directors Rs. Nil (2000 - Rs. 18,384/-)								
12. MISCELLANEOUS EXPENDITURE								
(To the extent not written off or adjusted)								
Preliminary Expenses	—		38,172					
Expenditure on Leased Assets	—		12,77,963					
Launching Expenditure	—		2,52,426					
	<u>—</u>		<u>15,68,561</u>					
13. INCOME FROM OPERATIONS								
Rooms*		16,60,76,605	13,13,56,149					
Food & Beverages		13,16,46,783	10,28,56,197					
Recreation & Services		2,74,88,425	2,46,34,560					
Miscellaneous Income		27,76,988	23,90,517					
Gain/(Loss) on Exchange (Net)		35,753	(449)					
Insurance claims		22,300	63,922					
Income from Others		4,19,781	3,07,160					
		<u>32,84,66,635</u>	<u>26,16,08,056</u>					
*Income from rooms are stated gross, the amount of tax deducted thereon is Rs. 9,01,589/- (2000 - Rs. 3,96,207/-)								
14. OTHER INCOME								
Interest on Loans and Deposits etc.*		70,10,304	8,98,454					
		<u>70,10,304</u>	<u>8,98,454</u>					
*The Income from Loans and Deposits etc. are stated gross. The amount of Income Tax deducted thereon is Rs. 15,42,267/- (2000 - Rs. 1,98,161/-)								
15. FOOD, BEVERAGE, CIGARETTES ETC. CONSUMED								
Opening Stock		36,68,981	38,86,709					
Add : Purchases		4,08,42,727	3,71,37,560					
		<u>4,45,11,708</u>	<u>4,10,24,269</u>					
Less : Closing Stock		29,32,406	36,68,981					
		<u>4,15,79,302</u>	<u>3,73,55,288</u>					
16. OPERATING AND ADMINISTRATIVE EXPENSES								
Salaries, Wages and Bonus		1,37,91,644	1,25,63,505					
Contribution to Provident and Other Funds		15,24,145	12,00,731					
Workmen and Staff Welfare Expenses (Net of recoveries)		63,84,803	57,76,660					
Reimbursement of remuneration of persons on deputation		86,01,812	73,53,806					
Insurance		24,41,648	22,75,454					
Consumption of Stores and Supplies		1,92,80,415	2,01,08,950					
Power and Fuel		3,64,22,354	3,42,65,531					
Freight		—	8,917					
Rent [including lease rentals — Rs. 1,18,21,955/- (2000 - Rs. 1,16,57,462/-)]		1,29,18,486	1,25,64,179					
Repairs — Building		49,81,840	36,53,897					
— Machinery		51,91,935	61,20,522					
— Others		18,33,071	18,06,906					
Rates and Taxes		42,25,192	31,77,425					
Advertisement/Sales Promotion/ Market Research		87,78,346	57,52,039					
Miscellaneous — Others		86,47,870	68,91,340					
Travelling and Conveyance		47,10,454	40,03,762					
Postage, Telephone, Telex etc.		83,86,665	84,70,581					
Payments to Auditors		(Rs.)	(Rs.)					
— Audit Fees		1,57,500	1,00,000					
— Tax Audit Fees		34,000	35,000					
— Taxation Matters		—	30,000					
— Certification/ Other Services etc.		49,323	48,675					
		<u>2,40,823</u>	<u>2,13,675</u>					
Technical & Consultancy Fees		2,39,63,831	1,39,23,804					
Marketing Fees		53,29,452	40,30,188					
Commission paid to Travel Agents		2,84,368	1,13,416					
Loss on Fixed Assets discarded/sold (Net)		4,42,695	1,62,432					
		<u>17,83,81,849</u>	<u>15,44,37,720</u>					
Less : Transfer to Fixed Assets		4,74,118	12,176					
		<u>17,79,07,731</u>	<u>15,44,25,544</u>					

SCHEDULES TO THE ACCOUNTS (Contd.)

17. NOTES TO THE ACCOUNTS

	Current Year (Rs.)	Last Year (Rs.)
(i) Estimated Amount Of Contracts remaining to be executed on Capital account and not provided for as on the Balance Sheet date	12,36,454	28,66,313
(ii) Contingent Liability		
— Income Tax matters under appeal Rs. 28,59,426/- (2000 - Rs. 28,59,426/-)		
— Hotel Expenditure Tax matters under appeal Rs. 11,51,730/- (2000 - Rs. 11,51,730/-)		
— Sales Tax matters under appeal Rs. 3,75,868/- (2000 - Rs. 3,75,868/-)		
— Guarantees outstanding Rs. 25,70,500/- (2000 - Rs. 20,57,000/-)		
(iii) Managing Director's Remuneration*		
— Salary	1,57,044	6,33,078
— Other Perquisites	25,300	1,24,920
— Contribution to Provident Fund	4,644	21,108
	<u>1,86,988</u>	<u>7,79,106</u>
(* for the period 1.4.2000 to 30.6.2000)		
(iv) Earnings in Foreign Currency		
Direct purchase of Foreign Exchange as reported to Reserve Bank of India	1,24,92,279	1,06,51,133
Indirect Foreign Exchange earnings through credit cards as certified by the banks	13,58,75,599	8,10,63,244
	<u>14,83,67,878</u>	<u>9,17,14,377</u>
(v) Expenditure in Foreign Currency		
— Travel	60,800	1,40,840
— Hotel Reservation/Marketing Expenses	2,50,993	—
— Technical & Consultancy Fees and Others	62,92,687	5,97,758
	<u>66,04,480</u>	<u>7,38,598</u>
(vi) CIF Value of Imports		
— Raw Materials	17,645	1,15,693
— Capital Goods	30,07,920	28,24,190
	<u>30,25,565</u>	<u>29,39,883</u>

	Current Year (Rs.)	%	Last Year (Rs.)	%
(vii) Consumption of Raw Materials				
— Indigenous	4,15,61,657	99.96	3,72,39,595	99.69
— Imported	17,645	0.04	1,15,693	0.31
	<u>4,15,79,302</u>	<u>100.00</u>	<u>3,73,55,288</u>	<u>100.00</u>

(viii) Consumption of Stores & Supplies				
— Indigenous	1,92,80,415	100.00	2,01,08,950	100.00
— Imported	—	—	—	—
	<u>1,92,80,415</u>	<u>100.00</u>	<u>2,01,08,950</u>	<u>100.00</u>

(ix) The Ministry of Law, Justice and Company Affairs (Department of Company Affairs) Government of India has been consistently exempting the Company, on a year to year basis, in terms of the provisions of Section 211(4) of the Companies Act, 1956, upto 31st March, 2000, from disclosing quantitative details of turnover and consumption in respect of various classes of goods dealt with by the Company as required under Para 3(i)(a) of Part II, Schedule VI of the Companies Act, 1956 subject to disclosure of certain information, based on which the following information is furnished.

	Current Year (Rs.)	Last Year (Rs.)
a) Income from :		
(i) Wine and Liquor	2,46,95,494	1,92,36,566
(ii) Telephone and Telex	2,30,08,158	2,00,15,645
	<u>4,77,03,652</u>	<u>3,92,52,211</u>
b) Consumption of :		
(i) Provisions, Beverages & Smokes (excluding Wine and Liquor)	3,45,94,982	3,12,64,563
(ii) Wine and Liquor	69,84,320	60,90,725
	<u>4,15,79,302</u>	<u>3,73,55,288</u>

Approval in respect of the application made by the Company for similar exemption for the year ended, 31st March, 2001, is expected shortly.

(x) Interest on term loans includes prior period expenditure amounting to Rs. Nil (2000 - Rs. 2,95,780/-).

(xi) Previous year's figures have been regrouped/rearranged wherever necessary.

18. SIGNIFICANT ACCOUNTING POLICIES

i) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

To prepare financial statements in accordance with the historical cost convention, generally accepted accounting principles and relevant presentational requirements of the Companies Act, 1956.

ii) TURNOVER

To state turnover, which represents invoiced value of goods sold and services rendered, net of taxes.

iii) FIXED ASSETS

To state fixed assets at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. In respect of major projects involving construction, related pre-operational expenses form part of the value of the assets capitalised.

iv) DEPRECIATION

To provide depreciation on straight line method at the rates as specified in Schedule XIV of the Companies Act, 1956.

v) INVENTORIES

To value all inventories at lower of cost and net realisable value. Cost includes freight and other related incidental expenses and is computed on weighted average method.

vi) RETIREMENT BENEFITS

To make regular contributions to the Provident Fund and Gratuity Fund which are charged to revenue. The contributions in respect of Gratuity Fund is made to Life Insurance Corporation and the Provident Fund and Family Pension contributions are statutorily deposited with the Government.

vii) PROPOSED DIVIDEND

To provide for Dividend as proposed by the Directors in the Books of Account, pending approval at the Annual General Meeting.

viii) FOREIGN CURRENCY TRANSACTIONS

To record transactions in foreign currencies at the exchange rates prevailing on the date of the transaction. Payments made in foreign currency are converted at the applicable rates prevailing on the day of remittance. Liability/Receivables on account of foreign currency are converted at the exchange rates prevailing as at the end of the year and gains/losses thereon are taken to Profit and Loss Account.

ix) DEFERRED REVENUE EXPENDITURE

All the expenditure, the benefit of which is spread over number of years, is grouped under miscellaneous expenditure and is amortised over subsequent years on the basis of benefit derived in each year.

x) INVESTMENTS

To state long term investments at cost. Where applicable, provision is made where there is a permanent fall in valuation of investments.

xi) BORROWING COSTS

To capitalise the borrowing costs that are directly attributable to the acquisition or construction as cost of that capital asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

xii) FINANCIAL AND MANAGEMENT INFORMATION SYSTEMS

To practice an integrated accounting system which unifies both Financial books and Costing records. The books of account and other records have been designed to ensure compliance of the relevant provisions of the Companies Act, 1956 on the one hand, and meet the internal requirements of the information and systems for Planning, Review and Internal Control (designed and based on "Uniform System of Accounts for Hotels"), on the other.

On behalf of the Board

G. Sivakumar Reddy
Dhunjii Kavarana
Chairman
Managing Director

Hyderabad, 27th April, 2001

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. State Code
Balance Sheet Date Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue Rights Issue
Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities Total Assets
Sources of Funds
Paid up Capital Reserves & Surplus
Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Investments
Net Current Assets Misc. Expenditure
Accumulated Losses N. A.

IV. Performance of Company (Amount in Rs. Thousands)

Turnover** Total Expenditure
** Includes Other Income
Profit/Loss Before Tax Profit/Loss After Tax
(Please tick the appropriate box + for profit, - for loss)
Earnings Per Share in Rs. Dividend Rate %

V. Generic Names of three Principal Products/Services of Company (as per monetary terms)

Item Code No.
Product Description

*** No Item code has been assigned to 'Hotels' under the Indian Trade Classification.

FORTUNE PARK HOTELS LIMITED

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001

Your Directors submit their Report and Accounts for the financial year ended 31st March, 2001.

PERFORMANCE

Your Company achieved a turnover of Rs. 117.35 lacs, registering a decrease of 12% over previous year and earned a net profit of Rs. 2.30 lacs as against a net profit of Rs. 14.72 lacs as reported in the previous year. The lower performance is due to recast of hotels portfolio during the year under review. During the year, your Company received an amount of Rs. 30,00,000/- as compensation for cessation of rights under a contract which is in the nature of a capital receipt and accordingly the same was transferred to Capital Reserve.

Your Company operates six hotels including Fortune Resort Bay Island at Port Blair, which became operational under 'Fortune' banner effective 1st April, 2001, and has operating agreements in respect of five hotel projects which are slated to open during the course of next two years. Negotiations are underway at several attractive locations.

CONSERVATION OF ENERGY/FOREIGN EXCHANGE

Considering the nature of business of your Company, no comment is made on conservation of energy. There has been no foreign exchange income or outflow during the year under review.

DIRECTORS

In accordance with the provisions of Article 143 of the Articles of Association of the Company, Mr. S.S.H. Rehman and Mr. Nakul Anand will retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

The particulars of employees as required to be disclosed in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, are annexed to this Report.

ANNEXURE TO THE REPORT OF THE DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001

Particulars of Employees under Section 217(2A) of the Companies Act, 1956 and forming part of the Report of the Directors

Name	Age	Designation/ Nature of Duties	Gross Remuneration (Rs.)	Qualifications	Experi- ence (Years)	Date of Commence- ment of Employ- ment	Previous Employ- ment/ Position Held
Employed throughout the year and in receipt of remuneration aggregating Rs. 12,00,000/- or more							
Ravi Suri	57	Managing Director	13,67,241	Diploma in Hotel Management	32	01.01.2000	ITC Hotels Limited Vice President - Food & Beverage (External)

COMPLIANCE CERTIFICATE UNDER COMPANIES ACT, 1956

A certificate issued by M/s. S. R. Sundaram & Associates, Company Secretaries in terms of the provisions of Section 383A of the Companies Act, 1956, to the effect that the Company has complied with the applicable provisions of the said Act is attached to this Report.

AUDITORS

The Auditors of your Company, M/s. Lovelock & Lewes, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors state that :

a) in the preparation of annual accounts under review the applicable accounting standards had been followed b) appropriate accounting policies were selected and applied consistently and reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year under review and of the profit or loss of the Company for that period c) proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities d) the annual accounts are prepared on a going concern basis. The required disclosures and significant accounting policies followed are appearing in Schedules 14 & 15, respectively, in the annual accounts.

On behalf of the Board

RAVI SURI Managing Director
M. RIAZ AHMED Director

New Delhi, 8th May, 2001

Employed for a part of the year and in receipt of remuneration aggregating Rs. 1,00,000/- or more per month

NONE

Notes:

- Gross remuneration comprises salary, allowances, value of perquisites, Company's contribution to Provident, Pension and Gratuity Funds etc.
- The appointment is contractual.
- The employee is not related to any Director of the Company.

On behalf of the Board

RAVI SURI Managing Director
M. RIAZ AHMED Director

New Delhi, 8th May, 2001

COMPLIANCE CERTIFICATE

Regn. No. of the Company : 55-99973
Nominal Capital : Rs. 2,00,00,000/-

To
The Members
M/s Fortune Park Hotels Limited
25, Community Centre
Basant Lok
Vasant Vihar
New Delhi - 110 057

We have examined the registers, records, books and papers of M/s Fortune Park Hotels Limited (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the Rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended 31st March, 2001. In our opinion and to the best of our information and according to the examination carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the period -

- The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the Rules made thereunder and all entries therein have been duly recorded.
- The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate with the Registrar of Companies within the time prescribed under the Act and the Rules made thereunder.
- The Company, being a public limited company, comments are not required.
- The Board of Directors of the Company met four times respectively on 9th May, 2000, 13th September, 2000, 7th November, 2000 and 30th March, 2001. In respect of such meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
- The Company has not closed the Register of its Members during the financial year.
- The Annual General Meeting of the Company for the financial year ended 31st March, 2000 was held on 18th August, 2000 after giving due notice to the Members of the Company and the resolutions passed thereat were duly recorded in the Minutes book maintained for the purpose.
- No Extraordinary General Meeting was held during the financial year.
- The Company has not advanced any loan to its Directors and/or persons or firms or companies referred to in Section 295 of the Act.

- The Company has not entered into any contracts falling within the purview of Section 297 of the Act, as no such contracts were made during the financial year.
- The Company is maintaining the register under Section 301 of the Act and has made necessary entries during the year.
- As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, Members or Central Government.
- The Company has not issued any duplicate share certificates during the financial year.
- (i) There was no allotment/ transfer/ transmission of securities during the financial year.
(ii) The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
(iii) The Company was not required to post warrants to any Member of the Company as no dividend was declared during the financial year.
(iv) The Company has generally complied with the applicable requirements of Section 217 of the Act in respect of last year.
- The Board of Directors of the Company is duly constituted and the appointment of Directors and Additional Directors have been duly made.
- The Company appointed Mr. Ravi Suri as Managing Director with effect from 1st January, 2000 and got approval of Central Government on 3rd October, 2000 for his appointment and remuneration upto 1st March, 2000. The approval in respect of remuneration after 1st March, 2000 is yet to be received from the Department.
- The Company has not appointed any sole selling agents during the financial year.
- The Company has sought clarification from the Central Government in respect of remuneration payable to Managing Director, which is under consideration.
- The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the Rules made thereunder.
- The Company has not issued any shares, debentures or other securities during the financial year.
- The Company has not bought back any shares during the financial year.
- There was no redemption of preference shares or debentures during the financial year.
- There was no transaction necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.

COMPLIANCE CERTIFICATE (Contd.)

23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The amount borrowed by the Company from Banks during the financial year is within the borrowing limits of the Company.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum during the year under scrutiny, with respect to :
 - (i) situation of the Company's Registered Office from one State to another
 - (ii) the objects of the Company
 - (iii) the name of the Company and
 - (iv) share capital of the Company.
27. The Company has not altered its Articles of Association during the financial year.
28. There was/were no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
29. The Company has not received any money as security from its employees during the financial year.
30. The Company has not constituted Provident Fund for its employees and as such, Section 418 of the Act is not applicable to the Company.

For S.R. Sundaram & Associates

S. Ramasundaram
Proprietor
C.P. No. 2530

New Delhi, 8th May, 2001

ANNEXURE - A

Registers as maintained by the Company :
Statutory Registers

1. Register of Members under Section 150
2. Minutes Book of Board Meetings
3. Minutes Book of General Meetings
4. Books of Account under Section 209
5. Register of particulars of contracts in which Directors are interested under Section 301
6. Register of Directors under Section 303
7. Register of Directors' Shareholding under Section 307

Annexure 'B'

Forms and Returns as filed by the Company with the Registrar of Companies during the financial year ended 31st March, 2001.

S.No.	Form No./Return	Filed under Section	For	Date of filing	Whether filed within prescribed time Yes/No	If delay in filing whether requisite additional fee paid Yes/No
1.	Annual Return	159	For the AGM held on 18.8.2000	14.9.2000	Yes	N.A.
2.	Balance Sheet	220	As on 31.3.2000	14.9.2000	Yes	N.A.

REPORT OF THE AUDITORS TO THE MEMBERS

1. We report that we have audited the Balance Sheet of Fortune Park Hotels Limited as at 31st March, 2001 and the relative Profit and Loss Account for the year ended on that date, both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account.
2. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account together with the notes thereon/attached thereto, give in the prescribed manner, the information required by the Companies Act, 1956 of India ('The Act'), and also give respectively, subject to matter stated in paragraph 2.1 given below, a true and fair view of the state of the Company's affairs as at 31st March, 2001 and its profit for the year ended on that date.
- 2.1. Reference Note (i) of Schedule 14, the remuneration paid to the Managing Director to the extent indicated therein is subject to the approval of the Central Government. The Company has already made an application in this regard and the approval is awaited.
3. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as it appears from our examination of the books. In our opinion, the Profit and Loss Account and the Balance Sheet have been prepared in compliance with the Accounting Standards issued by the Institute of Chartered Accountants referred to in Section 211(3C) of 'The Act' to the extent applicable.
4. Based on representations made by all the Directors of the Company and the information and explanations as made available, the Directors of the Company do not prima facie have any disqualification as referred to in clause (g) of sub-section (1) to Section 274 of 'The Act'.
5. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988 dated 7th September, 1988 and issued by the Central Government of India and on the basis of such checks as we considered appropriate and the information and explanations given to us, we further report that :
 - i) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets have been physically verified by the management at regular intervals and no material discrepancies between the book records and the physical inventory have been noticed.
 - ii) The fixed assets of the Company have not been revalued during the year.
 - iii) The Company has not taken any loans, secured or unsecured, from Companies, firms or other parties as listed in the register maintained under Section 301 of 'The Act'. In terms of sub section (6) of Section 370 of 'The Act', provisions of the section are not applicable to a Company on or after the commencement of the Companies (Amendment) Act, 1999 of India.
 - iv) The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties listed in the register maintained under Section 301 of 'The Act'. In terms of sub section (6) of Section 370 of 'The Act', provisions of the section are not applicable to a Company on or after the commencement of the Companies (Amendment) Act, 1999 of India.
 - v) The Company has not granted any loans or advances in the nature of loans to other parties. The employees to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.
- vi) In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of plant & machinery, equipment and other assets and for services rendered.
- vii) There are no transactions for purchase of goods and materials and services, which were made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs. 50,000/- or more in value in respect of each party.
- viii) The Company has not accepted any deposits from the public.
- ix) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- x) The Company is regular in depositing Provident Fund and dues with the appropriate authorities in India. Employee State Insurance Act is not presently applicable to the Company.
- xi) There are no undisputed amounts in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty outstanding as at 31st March, 2001 for a period of more than six months from the date they became payable.
- xii) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, other than those payable under contractual obligations and accepted business practices, nor have we been informed of any such case by the management.
- xiii) The Company is not a Sick Industrial Company within the meaning of Clause (o) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 of India.
- xiv) Item numbers (iii), (iv), (v), (vi), (xii), (xiv), (xvi) of Clause A of paragraph 4 of the aforesaid order are not applicable to the Company since it renders service activities which do not involve purchase of finished goods, stores & spares, raw materials and sale of goods.
- xv) In respect of services rendered:
 - a) The Company carries on service activities, which do not involve consumption of materials and stores.
 - b) Considering the nature of its activities, the allocation of man-hours to the various jobs is not considered practicable by the management.

For LOVELOCK & LEWES
Chartered AccountantsKAUSHIK DUTTA
Partner

New Delhi, 8th May, 2001

FORTUNE PARK HOTELS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2001

	Schedule	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
(a) Share Capital	1	45,00,080	45,00,080
(b) Reserves & Surplus	2	54,31,367	22,01,763
2. Loan Funds			
(a) Secured Loans	3	18,99,957	—
Total		1,18,31,404	67,01,843
II. APPLICATION OF FUNDS			
1. Fixed Assets	4		
(a) Gross Block		42,68,751	41,27,338
(b) Less - Depreciation		16,41,085	11,95,761
(c) Net Block		26,27,666	29,31,577
2. Current Assets, Loans & Advances			
(a) Sundry Debtors	5	64,88,687	46,48,618
(b) Cash & Bank Balances	6	33,65,982	12,01,035
(c) Other Current Assets	7	11,07,622	35,900
(d) Loans & Advances	8	10,93,087	9,20,869
		1,20,55,378	68,06,422
Less : Current Liabilities & Provisions			
Liabilities	9	28,95,838	30,91,406
Net Current Assets		91,59,540	37,15,016
3. Miscellaneous Expenditure (To the extent not written off or adjusted)			
Preliminary Expenses	10	44,198	55,250
Total		1,18,31,404	67,01,843
Notes to the Accounts	14		
Significant Accounting Policies	15		

The Schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our Report of even date.

For LOVELOCK & LEWES
Chartered Accountants
KAUSHIK DUTTA
Partner
New Delhi, 8th May, 2001

On behalf of the Board

RAVI SURI Managing Director
M. RIAZ AHMED Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

	Schedule	For the year ended 31st March, 2001 (Rs.)	For the year ended 31st March, 2000 (Rs.)
I. INCOME			
Income from Operations	11	1,14,33,711	1,31,19,700
Other Income	12	3,00,841	1,11,895
		1,17,34,552	1,32,31,595
II. EXPENDITURE			
Operating and Administrative Expenses	13	1,10,21,500	1,05,49,895
Depreciation		4,45,324	3,83,615
Preliminary Expenses Written off		11,052	11,051
		1,14,77,876	1,09,44,561
III. PROFIT			
Profit before Taxation		2,56,676	22,87,034
Provision for Taxation - Current Year		—	—
Less : Earlier Years Adjustments	14	1,50,000	8,15,000
		1,22,928	27,072
Profit after Taxation		2,29,604	14,72,034
Profit Brought Forward		21,86,422	7,14,388
Extraordinary Capital Receipt		30,00,000	—
Available for Appropriation		54,16,026	21,86,422
IV. APPROPRIATIONS			
Capital Reserve		30,00,000	—
Profit Carried Forward		24,16,026	21,86,422
		54,16,026	21,86,422
Notes to the Accounts	14		
Significant Accounting Policies	15		

The Schedules referred to above form an integral part of the Profit & Loss Account.
This is the Profit & Loss Account referred to in our Report of even date.

For LOVELOCK & LEWES
Chartered Accountants
KAUSHIK DUTTA
Partner
New Delhi, 8th May, 2001

On behalf of the Board

RAVI SURI Managing Director
M. RIAZ AHMED Director

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)		As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
1. SHARE CAPITAL			2. RESERVES AND SURPLUS		
Authorised			Capital Reserve	(Rs.)	
20,00,000 Equity Shares of Rs. 10/- each	2,00,00,000	2,00,00,000	At the commencement of the year	—	—
Issued, Subscribed and Paid-up			Add : Transfer from Profit & Loss Account	30,00,000	30,00,000
4,50,008 Equity Shares of Rs. 10/- each	45,00,080	45,00,080	General Reserve	15,341	15,341
	45,00,080	45,00,080	Balance in Profit & Loss Account	24,16,026	21,86,422
Includes				54,31,367	22,01,763
— 4,50,001 Equity Shares of Rs. 10/- each			3. SECURED LOAN		
fully paid up are held by the holding company, ITC Hotels Limited.			From Bank - Overdraft*	18,99,957	—
			*Secured by way of pledge of Fixed Deposit	18,99,957	—

4. FIXED ASSETS - AT COST

Particulars	Original Cost as at 01.04.2000 (Rs.)	Additions during the year (Rs.)	Withdrawals during the year (Rs.)	Original Cost as at 31.03.2001 (Rs.)	Depreciation for the year (Rs.)	Depreciation on Withdrawals (Rs.)	Depreciation up to 31.03.2001 (Rs.)	Net Block as at 31.03.2001 (Rs.)	Net Block as at 31.03.2000 (Rs.)
1. Office Equipment	8,92,344	10,995	—	9,03,339	39,651	—	1,97,537	7,05,802	7,34,458
2. Furniture & Fittings	10,73,869	16,793	—	10,90,662	84,394	—	2,63,265	8,27,397	8,94,998
3. Computers	15,36,889	1,13,625	—	16,50,514	2,61,977	—	11,20,009	5,30,505	6,78,857
4. Vehicle	6,24,236	—	—	6,24,236	59,302	—	60,274	5,63,962	6,23,264
Total	41,27,338	1,41,413	—	42,68,751	4,45,324	—	16,41,085	26,27,666	29,31,577
Previous Year	37,78,553	7,63,556	4,14,771	41,27,338	3,83,615	72,400	11,95,761	29,31,577	—

FORTUNE PARK HOTELS LIMITED**SCHEDULES TO THE ACCOUNTS (Contd.)**

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
5. SUNDRY DEBTORS (Unsecured — considered good)		
a) Debts outstanding for period exceeding six months	35,40,504	6,66,714
b) Other debts	29,48,183	39,81,904
	<u>64,88,687</u>	<u>46,48,618</u>
6. CASH AND BANK BALANCES		
With Scheduled Banks		
On Current Accounts	3,63,480	11,55,797
On Fixed Deposit*	30,00,000	
Cash on hand	2,502	45,238
	<u>33,65,982</u>	<u>12,01,035</u>
*Pledged with Bank		
7. OTHER CURRENT ASSETS (Unsecured — considered good)		
Interest Accrued but not due on Deposit	97,622	—
Deposits with Public Bodies & Others	10,10,000	35,900
	<u>11,07,622</u>	<u>35,900</u>
8. LOANS AND ADVANCES (Unsecured — considered good)		
Advances recoverable in cash or in kind or for value to be received	50,914	53,725
Income Tax (net of provisions)	10,42,173	8,67,144
	<u>10,93,087</u>	<u>9,20,869</u>
9. LIABILITIES		
Sundry Creditors	28,95,838	30,91,406
	<u>28,95,838</u>	<u>30,91,406</u>
10. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
Preliminary Expenses	55,250	66,301
Less : Written off during the year	11,052	11,051
	<u>44,198</u>	<u>55,250</u>
	For the year ended 31st March, 2001 (Rs.)	For the year ended 31st March, 2000 (Rs.)
11. INCOME FROM OPERATIONS		
Management Consultancy & Other Services*	1,14,33,711	1,31,10,700
	<u>1,14,33,711</u>	<u>1,31,10,700</u>
*Tax Deducted at Source Rs. 6,30,831/- (Previous Year — Rs. 6,27,838/-)		
12. OTHER INCOME		
Interest on Deposits**	1,26,126	6,030
Others	1,74,715	1,05,865
	<u>3,00,841</u>	<u>1,11,895</u>
**Tax Deducted at Source Rs. 28,504/- (Previous Year — Rs. NIL)		
13. OPERATING AND ADMINISTRATIVE EXPENSES		
Salaries, Wages and Bonus	34,58,186	21,59,782
Contribution to Provident, Gratuity and Other Funds	4,68,071	2,02,499
Staff Welfare Expenses	3,56,115	2,73,618
Power and Fuel	4,20,135	5,47,255
Rent	4,47,884	6,47,000
Repairs — Others	3,56,135	3,24,077
Reimbursement of Remuneration to persons on deputation	17,76,123	24,39,584
Insurance	62,570	18,376
Rates and Taxes	—	98,772
Advertising/Sales Promotion & Market Research	10,90,128	8,65,431
Bad Debts written off	—	7,04,005
Legal & Professional Fees	3,25,500	4,02,995
Travelling & Conveyance	11,31,580	7,48,073
Postage, Telephones, Fax etc.	6,87,598	6,56,098
Printing, Stationery, Books etc.	1,20,478	1,14,884
Auditors' Remuneration		
— Audit Fees	30,000	30,000
— Fees for Tax Audit	21,000	15,750
— Certification/Other Services etc.	8,500	33,000
Bank Charges	59,500	78,750
Miscellaneous — Others	1,28,696	47,535
	1,32,801	2,21,251
	<u>1,10,21,500</u>	<u>1,05,49,895</u>

14. NOTES TO THE ACCOUNTS

(i)	Managing Director's Remuneration	Current Year (Rs.)	Previous Year (Rs.)
—	Salary & Allowances	9,72,000	2,43,000
—	Other Perquisites	1,85,241	39,500
—	Contribution to Provident and Other Funds	2,10,000	52,500
		<u>13,67,241</u>	<u>3,35,000</u>

The remuneration of Managing Director for the year ended March 31, 2001 is subject to the approval of the Central Government.

Remuneration paid in excess of the limits specified under the Companies Act, 1956 is Rs. 2,57,241/-.

The Company has made an application to the Ministry of Law, Justice and Company Affairs, Department of Company Affairs, Government of India seeking approval in this regard which is still pending.

- (ii) No amounts are due to small scale industrial undertakings (SSI), as defined under Section 3(i) of the Industries (Development & Regulation) Act, 1951, which are more than Rupees One lac and are outstanding for more than one month as on 31st March, 2001.
- (iii) The Salaries, Wages and Bonus, Contribution to Provident, Gratuity and Other Funds, Staff Welfare Expenses & Reimbursement of remuneration to persons on deputation is net of recoveries of Rs. 24,36,727/- (Previous Year - Rs. 21,15,201/-).
- (iv) During the year, the Company has received an amount of Rs. 30,00,000/- as compensation for cessation of rights under a contract which is in the nature of a capital receipt and transferred to Capital Reserve.
- (v) Previous year figures have been re-arranged/re-grouped wherever considered necessary.

15. SIGNIFICANT ACCOUNTING POLICIES

- (i) **BASIS OF PREPARATION OF FINANCIAL STATEMENTS**
To prepare financial statements in accordance with the historical cost convention, generally accepted accounting principles and relevant presentational requirements of the Companies Act, 1956.
- (ii) **FIXED ASSETS**
To state Fixed Assets at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition.
- (iii) **DEPRECIATION**
To provide depreciation in respect of all Assets on Straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.
- (iv) **REVENUE RECOGNITION**
Income from services rendered are booked on accrual basis, in accordance with agreements/arrangements with the concerned parties.
- (v) **RETIREMENT BENEFITS**
To make regular contributions to the Provident Fund and Gratuity Fund which are charged to revenue. The contribution in respect of Gratuity Fund are made to LIC based on evaluation by the LIC and the Provident Fund and Family Pension Fund contributions are statutorily deposited with the Government.
- (vi) **PROPOSED DIVIDEND**
To provide for Dividend as proposed by the Directors in the books of account, pending approval at the Annual General Meeting.
- (vii) **PRELIMINARY EXPENSES**
To amortise Preliminary Expenses in equal instalments over the period of ten financial years.

On behalf of the Board

RAVI SURI *Managing Director*

M. RIAZ AHMED *Director*

New Delhi, 8th May, 2001

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. State Code

Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)[illegible]

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities						Total Assets					
			1	4	7				1	4	7
Sources of Funds											
Paid up Capital						Reserves & Surplus					
				4	5				5	4	3
Secured Loans						Unsecured Loans					
			1	9	0					N.A.	

Application of Funds

Net Fixed Assets					Investments						
			2	6	2	8				N. A.	
Net Current Assets					Misc. Expense						
			9	1	5	9				4	4
Accumulated Losses											
						N. A.					

IV. Performance of Company (Amount in Rs. Thousands)

Turnover**	Total Expenditure
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 1 1 7 3 5	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 1 1 4 7 8
** Includes Other Income	
Profit/Loss Before Tax	Profit/Loss After Tax
+ - <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 2 5 7	+ - <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 2 3 0

(Please tick the appropriate box + for profit, - for loss)

Earnings per Share in Rs.	Dividend Rate %
---------------------------	-----------------

					0	.	5	1
--	--	--	--	--	---	---	---	---

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No.

						***	N.	A.
--	--	--	--	--	--	-----	----	----

Product Description

H	O	T	E	L	S			
---	---	---	---	---	---	--	--	--

*** No Item code has been assigned to 'Hotels' under the Indian Trade Classification.

BAY ISLANDS HOTELS LIMITED**REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001**

Your Directors submit their Report and Accounts for the financial year ended 31st March, 2001.

PERFORMANCE

During the year under review, your Company earned a Licence Fee of Rs. 36.11 lacs (previous year - Rs. 31.56 lacs) and a Net Profit of Rs. 27.34 lacs (previous year - Rs. 21.92 lacs) after providing for payment of Minimum Alternate Tax of Rs. 2.54 lacs (previous year - Rs. 2.91 lacs) as required under the provisions of the Income-Tax Act, 1961.

The increase in the flight services to Port Blair during the year resulted in better occupancies and improved financial performance of your hotel, under licence with ITC Hotels Limited. The hotel has recorded a turnover of Rs. 246.34 lacs (previous year - Rs. 215.83 lacs) registering a growth of 14% and the Profit Before Tax at Rs. 40.37 lacs was marginally lower than the previous year (Rs. 41.83 lacs) due to a major renovation of the hotel at an outlay of Rs. 21 lacs. Effective, 1st April, 2001, your hotel is being run and operated by Fortune Park Hotels Limited, a subsidiary of ITC Hotels Limited, under the 'Fortune' banner, in keeping with the re-branding strategy of ITC Hotels Limited and accordingly, the hotel has been named as 'Fortune Resort Bay Island'.

CONSERVATION OF ENERGY

Considering the fact that the hotel is under an operating licence with ITC Hotels Limited, no comment is made on conservation of energy. However, the hotel continues to focus on energy conservation, safety and environment.

FOREIGN EXCHANGE EARNINGS AND OUTFLOW

There has been no foreign exchange income or outflow during the year.

ARTICLES OF ASSOCIATION

Consequent to enactment of the Companies (Amendment) Act, 2000 the Company, which was hitherto a deemed public company under Section 43A of the Companies Act, 1956, became a public limited company. In order to comply with the requirements of a public limited company, the Articles of Association of the Company needs to be amended. An appropriate resolution on the matter is included in the Notice convening the forthcoming Annual General Meeting for your approval.

EMPLOYEES

The relationship between the staff and the management continues to be cordial. Your Directors wish to record their sincere appreciation of the efforts made and support rendered by the employees during the year.

DIRECTORS

Mr. S.S.H. Rehman, Director of the Company, resigned from the Board of Directors of the Company with effect from 27th April, 2001. Your Directors would like to place on record their sincere appreciation of the services rendered by Mr. S.S.H. Rehman during his tenure as a Director.

In terms of the provisions of the Companies Act, 1956, Mr. G.H.C. Jadwet and Mr. M. Riaz Ahmed will retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

None of the employees fall under the purview of the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

COMPLIANCE CERTIFICATE UNDER COMPANIES ACT, 1956

A certificate issued by M/s. S. R. Sundaram & Associates, Company Secretaries in terms of the provisions of Section 383A of the Companies Act, 1956, to the effect that the Company has complied with the applicable provisions of the said Act is attached to this Report.

AUDITORS

The Auditors of your Company, M/s S.B. Dandekar & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors state that :

a) in the preparation of annual accounts under review the applicable accounting standards had been followed b) appropriate accounting policies were selected and applied consistently and reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year under review and of the profit or loss of the Company for that period c) proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities d) the annual accounts are prepared on a going concern basis.

On behalf of the Board

New Delhi, 8th May, 2001

Nakul Anand Director
M. Riaz Ahmed Director

COMPLIANCE CERTIFICATE

Regn. No. of the Company : 55-105131
Nominal Capital : Rs.1,20,00,000/-

To
The Members
M/s Bay Islands Hotels Limited
25, Community Centre
Basant Lok
Vasant Vihar
New Delhi - 110 057

We have examined the registers, records, books and papers of M/s Bay Islands Hotels Limited (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the Rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended 31st March, 2001. In our opinion and to the best of our information and according to the examination carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the period -

- The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the Rules made thereunder and all entries therein have been duly recorded.
- The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate with the Registrar of Companies within the time prescribed under the Act and the Rules made thereunder.
- The Company was a deemed public company and due to enactment of the Companies (Amendment) Act, 2000, became a public company effective from 13th December, 2000. Steps are being taken to raise the minimum number of members to seven, as required for a public company. Further amendments to the Articles of Association etc. with regard to public company, are proposed to be considered in its ensuing Annual General Meeting.
- The Board of Directors of the Company met four times respectively on 9th May, 2000, 13th September, 2000, 7th November, 2000 and 30th March, 2001. In respect of such meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
- The Company has not closed the Register of its Members during the financial year.
- The Annual General Meeting of the Company for the financial year ended 31st March, 2000 was held on 24th August, 2000 after giving due notice to the Members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
- No Extraordinary General Meeting was held during the financial year.
- The Company has not advanced any loan to its Directors and/or persons or firms or companies referred to in Section 295 of the Act.

- The Company has not entered into any contracts falling within the purview of Section 297 of the Act, as no such contracts were made during the financial year.
- The Company is maintaining the register under Section 301 of the Act, however, there were no contracts to be entered therein during the financial year.
- As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, Members or Central Government.
- The Company has not issued any duplicate share certificates during the financial year.
- (i) There was no allotment/transfer/transmission of securities during the financial year.
(ii) The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
(iii) The Company was not required to post warrants to any Member of the Company as no dividend was declared during the financial year.
(iv) The Company has generally complied with the applicable requirements of Section 217 of the Act in respect of last year.
- The Board of Directors of the Company is duly constituted and the appointment of Directors and Additional Directors have been duly made.
- The Company has not appointed any Managing Director/Wholetime Director/Manager during the financial year.
- The Company has not appointed any sole selling agents during the financial year.
- The Company was not required to obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar and/or such authorities prescribed under the various provisions of the Act during the financial year.
- The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the Rules made thereunder.
- The Company has not issued any shares, debentures or other securities during the financial year.
- The Company has not bought back any shares during the financial year.
- There was no redemption of preference shares or debentures during the financial year.
- There was no transaction necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
- The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.

BAY ISLANDS HOTELS LIMITED

24. The Company has not made any borrowings during the financial year ended 31st March, 2001.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum during the year under scrutiny, with respect to :
 - (i) situation of the Company's Registered Office from one State to another
 - (ii) the objects of the Company
 - (iii) the name of the Company and
 - (iv) share capital of the Company.
27. The Company has not altered its Articles of Association during the financial year.
28. There was/were no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
29. The Company has not received any money as security from its employees during the financial year.
30. The Company has not constituted Provident Fund for its employees and as such, Section 418 of the Act is not applicable to the Company.

For S.R. Sundaram & Associates

S. Ramasundaram
Proprietor
C.P. No. 2530

New Delhi, 8th May, 2001

ANNEXURE - A

Registers as maintained by the Company :
Statutory Registers

1. Register of Members under Section 150
2. Minutes Book of Board Meetings
3. Minutes Book of General Meetings
4. Books of Account under Section 209
5. Register of particulars of contracts in which Directors are interested under Section 301
6. Register of Directors under Section 303
7. Register of Directors' Shareholding under Section 307.

Annexure 'B'

Forms and Returns as filed by the Company with the Registrar of Companies during the financial year ended 31st March, 2001.

S.No.	Form No./Return	Filed under Section	For	Date of filing	Whether filed within prescribed time Yes/No	If delay in filing whether requisite additional fee paid Yes/No
1.	Form 23AA	209(1) proviso	Keeping Books of accounts at a place other than its Regd. office	15.5.2000	Yes	N.A.
2.	Annual Return	159	For the AGM held on 24.8.2000	21.9.2000	Yes	N.A.
3.	Balance Sheet	220	As on 31.3.2000	20.9.2000	Yes	N.A.
4.	Form 29	264	Appointment of Mr. Nakul Anand	21.9.2000	Yes	N.A.
5.	Form 32	303	-do-	21.9.2000	Yes	N.A.
6.	Form 32	303	Retirement of Mr. V.K. Chowdhry	21.9.2000	Yes	N.A.

REPORT OF THE AUDITORS TO THE MEMBERS

1. We have examined the attached Balance Sheet of Bay Islands Hotels Limited as at 31st March, 2001 and the annexed Profit and Loss Account for the year ended on that date which are in agreement with the books of accounts.
2. Based on the representation made by all the Directors of the Company and information and explanation as made available, the Directors of the Company do not prima facie have any disqualification as referred to in Clause (g) of Sub-Section (1) to Section 274 of the Companies Act, 1956.
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account together with the notes thereon/attached thereto give, in the prescribed manner, the information required by the Companies Act, 1956 and also give respectively, a true and fair view of the state of the Company's affairs as at 31st March, 2001 and its profit for the year ended on that date.
4. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit. In our opinion proper books of account have been kept as required by law so far as appears from our examination of the books. In our opinion these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.
5. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 and on the basis of such examination of the books and records of the Company, as we considered appropriate, and the information and explanations given to us during the course of our audit, we report that, in our opinion :
 - i) As per the information and explanations given to us and also taking into consideration the nature of the Company's activities, items (iii), (iv), (v), (vi), (xi), (xii), (xiv) and (xvi) of clause A of paragraph 4 of Order are not applicable to the Company.
 - ii) The Company has maintained proper records to show full particulars, including quantitative details and situation of its Fixed Assets. The Fixed Assets of the Company have been physically verified by the management at reasonable intervals during the year and no material discrepancies between book records and physical inventory have been noticed on such verification.
 - iii) The Company has not revalued any of its Fixed Assets during the year.
 - iv) The Company has not taken loans from companies, firms or other parties as listed in the register, maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of Section 370 are not applicable to a Company on and after the commencement of the Companies (Amendment) Act, 1999.
 - v) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of Section 370 are not applicable to a Company on and after the commencement of the Companies (Amendment) Act, 1999.
 - vi) The Company has not granted any loans or advances in the nature of loans.
 - vii) In our opinion, the Company has adequate internal control procedure commensurate with the size of the Company and nature of its business.
 - viii) The Company has not accepted any deposits from the public.
 - ix) As required under item no. (xv) of the said Order, since the Company has Paid-up Capital less than Rs. 25,00,000/-, internal audit system is not necessary.
 - x) The Company has deposited Provident Fund dues regularly through the licensee, M/s. ITC Hotels Limited.
 - xi) There are no undisputed amounts in respect of Income Tax, Sales Tax, Customs Duty and Excise Duty and no outstanding of such amounts as at 31st March, 2001 for a period of more than six months from the date they became payable.
 - xii) No personal expenses have been charged to Profit and Loss Account.
 - xiii) The Company is not a Sick Industrial Company within the meaning of Clause (o) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
 - xiv) In relation to service activities of the Company :
 - a) Items (ii) and (iii) of Clause B of paragraph 4 are not applicable.
 - b) There exists reasonable internal control system commensurate with the size of the Company and nature of its business.

For and on behalf of
S. B. DANDEKAR & COMPANY

V. VENKATESAN
Chartered Accountant

Port Blair, 9th May, 2001

Schedule

As at

31st March, 2001

(Rs.)

As at

31st March, 2000

(Rs.)

The Schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our Report of even date.

For and on behalf of
S.B. DANDEKAR & COMPANY

V. VENKATESAN
Chartered Accountant

Port Blair, 9th May, 2001

On behalf of the Board

NAKUL ANAND *Director*

M. RIAZ AHMED *Director*

New Delhi, 8th May, 2001

Schedule

For the year ended
31st March, 2001
(Rs.)

For the year ended
31st March, 2000
(Rs.)

The Schedules referred to above form an integral part of the Profit & Loss Account. This is the Profit & Loss Account referred to in our Report of even date.

For and on behalf of
S.B. DANDEKAR & COMPANY

V. VENKATESAN
Chartered Accountant

Port Blair, 9th May, 2001

On behalf of the Board

NAKUL ANAND *Director*

M. RIAZ AHMED *Director*

New Delhi, 8th May, 2001

As at
31st March, 2001
(Rs.)

As at
31st March, 2000
(Rs.)

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
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	As at 31st March, 2000 (Rs.)	As at 31st March, 2000 (Rs.)
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3. FIXED ASSETS

105

BAY ISLANDS HOTELS LIMITED

SCHEDULES TO THE ACCOUNTS (Contd.)

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
4. CASH & BANK BALANCES		
With Scheduled Banks in Current Accounts	1,693	1,693
	1,693	1,693
5. LOANS AND ADVANCES		
Income Tax Refund	13,566	13,566
Advance Tax	2,46,700	2,85,134
	2,60,266	2,98,700
6. CURRENT LIABILITIES AND PROVISIONS		
Provision for Income Tax	2,54,050	2,90,774
Provision for Expenses	2,625	2,625
Other Liabilities	1,38,47,622	1,70,63,733
	1,41,04,297	1,73,57,132
	For the year ended 31st March, 2001 (Rs.)	For the year ended 31st March, 2000 (Rs.)
7. OPERATING AND ADMINISTRATIVE EXPENSES		
Salaries and Wages	90,275	80,950
Printing and Stationery	8,000	8,000
Travelling & Conveyance	41,348	50,455
Audit fees	2,625	2,750
Miscellaneous Expenses	—	9,300
	1,42,248	1,51,455

8. NOTES TO THE ACCOUNTS

- The Hotel operations are under an Operating Licence Agreement with ITC Hotels Limited.
- The Land and Building were revalued as on 31st March, 1999 at Rs. 5,70,00,000/- and Rs. 2,38,03,599/- respectively, by an approved valuer and accounted for accordingly in the books of account in the financial year ended 31st March, 1999.
- (i) Depreciation has been charged on written down values in accordance with rates prescribed in Schedule XIV of the Companies Act, 1956.
(ii) Gross Depreciation for the year amounted to Rs.8,67,533/- of which Rs. 3,86,923/- has been adjusted against Revaluation Reserve.
- Provision for Income Tax : Minimum Alternate Tax for the year under review is considered at Rs. 2,54,050/-
- Figures have been rounded off to the nearest rupee.

On behalf of the Board

NAKUL ANAND Director
M. RIAZ AHMED Director

New Delhi, 8th May, 2001

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. State Code

Balance Sheet Date Date Month Year

Application of Funds

Net Fixed Assets

Net Current Assets

Accumulated Losses

Investments

Misc. Expenditure

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue N. A.

Rights Issue N. A.

Bonus Issue N. A.

Private Placement N. A.

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities 8 0 5 3 9

Total Assets 8 0 5 3 9

Sources of Funds

Paid up Capital 1 1 8 7

Reserves & Surplus 6 5 2 4 8

Secured Loans N. A.

Unsecured Loans N. A.

IV. Performance of Company (Amount in Rs. Thousands)

Turnover 3 6 1 1

Total Expenditure 6 2 3

Profit/Loss Before Tax + - 2 9 8 8

Profit/Loss After Tax + - 2 7 3 4

(Please tick the appropriate box + for profit, - for loss)

Earnings per Share in Rs. 2 3 0 . 2 1

Dividend Rate % N. A.

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. *** N. A.

Product Description H O T E L S

*** No Item code has been assigned to 'Hotels' under the Indian Trade Classification.

ITC INFOTECH INDIA LIMITED

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001

Your Directors submit their Report and Accounts for the Financial Year ended 31st March, 2001.

CHANGE OF NAME AND STATUS

The name of your Company was changed from ITC Threadneedle Trustees Ltd. to Contemporary Information Technology Limited with effect from 17th April, 2000 and thereafter to ITC Infotech India Limited with effect from 10th August, 2000.

During the year under review I.T.C. Limited acquired the entire Share Capital of the Company and accordingly your Company became a wholly owned subsidiary of I.T.C. Limited with effect from 21st August, 2000.

ISSUE OF SHARES

Your Company issued and allotted 1,00,00,000 Equity Shares of Rs. 10/- each, for cash at par, on a Rights Basis, to the Shareholders of the Company whose names appeared on the Register of Members as on 23rd September, 2000, in the ratio of 50 Equity Shares for every 1 Equity Share held as on that date. As a result, the paid up Capital of the Company increased from Rs. 20,00,000/- to Rs. 10,20,00,000/- with effect from 28th September, 2001.

PROFITS AND RETENTION

	(Rs. lakhs)	
Year ending March 31,	2001	2000
Total Revenue	1360.55	10.98
Total Expenditure	1280.63	13.30
Operating Profit - PBIDT	79.92	(2.32)
Interest	-	-
Depreciation	71.89	-
Profit Before Tax	8.03	(2.32)
Provision For Tax	0.70	-
Profit After Tax	7.33	(2.32)
Loss Brought Forward	(11.21)	(8.89)
Balance Carried To Balance Sheet	(3.88)	(11.21)

DIVIDEND

In view of the losses brought forward from earlier years (relating to the period when the Company was operating as ITC Threadneedle Trustees Ltd.) and the need to preserve resources your Directors do not recommend any dividend for the year.

BUSINESS REVIEW

With a view to exploit the exploding global opportunities offered by the IT business, the shareholders of I.T.C. Limited (ITC) approved in July 2000 the restructuring of its IT Division into a wholly owned subsidiary, ITC Infotech India Limited (I3L). ITC's existing wholly owned U.K. subsidiary, ITC Infotech Limited (I2B) and I2B's existing wholly owned U.S. subsidiary, ITC Infotech (USA) Inc. (I2A) are in the process of becoming wholly owned subsidiaries of I3L. As part of the restructuring exercise, ITC sold its IT assets and transferred its IT employees to your Company. Your Company commenced IT business with effect from 1st October, 2000. In the first 6 months of operations, your Company achieved a turnover of Rs. 13.61 crores, including an export turnover of Rs. 8.44 crores, and a profit before depreciation, interest and tax of Rs. 79.92 lakhs.

The Bangalore Development Centre of the Company was awarded SEI CMM Level 5 certification, the highest quality certification for an IT Company. This supplements the existing ISO 9001 TickIT certification and places your Company in the highest bracket of global quality. Your Company is in the process of setting up a high-end 'Learning Centre' at Bangalore with commensurate software development infrastructure for training its engineers in high-end technologies. Your Company has created several centre of excellence in select high growth technologies, including the first Microsoft Centre of Excellence for e-commerce in South Asia. Your Company, through strategic alliances with Sun Microsystems, Microsoft Corporation, Parametric Technologies Corporation and other global technology leaders, has created several high-end technical competencies, including those relating to e-business integration, collaborative content management, collaborative product commerce and Internet application servers. Your Company continues to actively pursue partnerships with industry leaders in various emerging technology areas in order to enrich its offerings.

The proposed acquisition of ITC's subsidiaries in U.K. and U.S.A. gives access to your Company to the European and North American markets. Your Company has also drawn up aggressive go-to market strategies for various business and technology segments in several markets.

The early part of the year witnessed resurgent growth in the IT services business. Belying predictions of a slowdown in the wake of huge Y2K spends and the consequent cut back in IT expenditure, the market continued to be buoyant. In the first half of the year, leading Indian

software companies achieved growth rates in excess of 100% quarter on quarter. However, the closing months of the year under review witnessed unprecedented turbulence in the technology sector following the slowdown in the U.S. economy. Your Company was also adversely affected by the slowdown, and consequently the full potential of the Company's investments in infrastructure and people could not be realised this year.

While being cautiously optimistic, your Company is well positioned to exploit business opportunities.

HUMAN RESOURCES

Your Company recognises that the quality of human resources is the key success factor in the IT business. Accordingly, your Company has put in place comprehensive human resource management systems and processes, with particular focus on training and development.

STRATEGIC INVESTMENTS

Your Company has, subsequent to the close of the year under review, received approvals from the Reserve Bank of India for:

1. Purchase from I.T.C. Limited of the entire share capital of ITC Infotech Limited, U.K. comprising of 6,85,815 ordinary shares of GBP 1.00 each at a price of GBP 1.50 per ordinary share aggregating to GBP 10,28,722.50.
2. Purchase from ITC Infotech Ltd., U.K., of the entire share capital of ITC Infotech (USA), Inc., comprising of 2,000 shares at a price of US\$ 200 each aggregating to US\$ 4,00,000.
3. Investment of upto US\$ 2 Million in the equity share capital of ITC Infotech (USA), Inc. after it becomes a wholly owned subsidiary of the Company.

AUDIT COMMITTEE

Your Company constituted an Audit Committee during the year with Messrs. B. B. Chatterjee, A. Nayak and K. Vaidyanath, all Non-Executive Directors, as Members. The Managing Director and the Head of Finance are Permanent Invitees to the Committee. The Company Secretary serves as the Secretary of the Committee.

OTHER INFORMATION

The particulars of Conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo in terms of Section 217(1)(e) are given in Annexures 'A' and 'B'. The particulars of employees in terms of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, are given in Annexure 'C'. The Director's Responsibility Statement as required in terms of Section 217(2AA) is given in Annexure 'D'.

DIRECTORS

Since the date of the last Report, Messrs. S. Bandyopadhyay, J. C. Basu, S. Mukherjee, and P. Chatterjee, resigned from the Board. The Board places on record its appreciation of the services rendered by them during their tenure as Directors of the Company.

Messrs. A. Singh, S. Verma, A. Nayak, B. B. Chatterjee, and S. Sivakumar were appointed additional Non-Executive Directors of your Company on 21st August, 2000.

Further, Mr. A. Singh was appointed Chairman of the Board of Director of your Company and Mr. Sanjay Verma was appointed Managing Director of your Company.

In accordance with the provisions of Article 143 of the Articles of Association of the Company, Mr. K. Vaidyanath will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-election.

AUDITORS

Messrs. Price Waterhouse, Chartered Accountants, were appointed as Auditors of the Company, to fill the casual vacancy caused by the resignation of Messrs Basu, Chatterjee & Co., Chartered Accountants, until the conclusion of the ensuing Annual General Meeting of the Company.

The Auditors, Messrs. Price Waterhouse retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

ACKNOWLEDGMENT

Your Directors place on record their appreciation of the contribution made by employees at all levels in the organisation, and thank them for their demonstrated competence, hard work, co-operation and support throughout the year.

Dated : 15th May, 2001
Virginia House
37 Chowringhee
Kolkata 700 071
India

On Behalf of the Board
Anup Singh
Chairman

ANNEXURE 'A' TO THE REPORT OF DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001

INFORMATION AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTOR) RULES, 1998

A. CONSERVATION OF ENERGY

Since the Company is engaged in software development, it is not a major consumer of energy.

B. TECHNOLOGY ABSORPTION

I. RESEARCH AND DEVELOPMENT (R & D) : NOT APPLICABLE

1. Specific areas in which R & D carried out by the Company
2. Benefits derived as a result of the above R & D
3. Future plan of action
4. Expenditure on R & D for
 - (a) Capital
 - (b) Recurring
 - (c) Total
 - (d) Total R & D expenditure as a percentage of Total Turnover

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief made towards technology absorption, adaptation and innovation.

The Company operates in various state-of-the-art technology areas and has developed the necessary related skills.

The Company has constituted a Technology Change Management Group. The key focus of this Group is to constantly scan the market for new technologies, design systems and processes to induct such new technologies and institute appropriate training systems to ensure effective absorption and deployment of such technologies within the organisation.

2. Benefit derived as a result of the above efforts

Expansion of business in various new technology areas and productivity improvements through the use of contemporary software tools.

On Behalf of the Board

Kolkata, 15th May, 2001

Anup Singh
Chairman

ANNEXURE 'B' TO THE REPORT OF DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001

Information as per the companies (Disclosure of Particulars in the Report of Board of Director) Rules, 1998

FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) Activities related to exports; Initiative taken to increase exports, development of new export markets for products and services; and export plans

The Company has exported computer software services and professional services to North America, Europe and Middle East. The Company aims to maximise its exports by

maintaining constant contact with prospective customers, focussed business development and participation in international exhibitions to promote its services.

(b) Total foreign exchange used and earned

The foreign exchange earnings (FOB-realisation basis) of the Company during the year were Rs. 114.59 lakhs while the outgoings were Rs. 29.27 lakhs.

On Behalf of the Board

Kolkata, 15th May, 2001

Anup Singh
Chairman

ITC INFOTECH INDIA LIMITED

**ANNEXURE 'C' TO THE REPORT OF DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001**

Particulars of Employees under Section 217(2A) of the Companies Act, 1956 and forming part of the Directors' Report

Name	Age	Designation/ Nature of duties	Gross Remuneration	Qualifications	Exp(Yrs)	DOJ	Previous Employ- ment
Employed for a part of the year and in receipt of remuneration aggregating Rs. 100,000/- or more per month							
Babu V.V.R.	46	Sr. V.P., Operations	1130517	B.Sc., M.Sc(Tech) M.Phil	24	1st Oct. 2000	I.T.C. Ltd. Divisional Head, India Operations (ISD)
Basu K.S.	36	Chief Technology Officer	405655	B.Tech, P.G.D.M. Ph.D, Post Doctoral	7	1st Dec. 2000	Array Solutions (India) Ltd. Vice President (Technical)
Carewal H.S.	37	V.P., Business Development	1009810	B.Tech., M.B.A.	13	1st Oct. 2000	I.T.C. Ltd. Divisional Head, Business Development (ISD)
Janardhanan S.	43	V.P., Systems Management Group	689823	B.Sc., M.Sc.	21	1st Oct. 2000	I.T.C. Ltd. Head, Corporate I.T. Services
Lakshminara- yanan G.	44	G.M., Software Development	640229	B.Sc.	24	1st Oct. 2000	I.T.C. Ltd. Software Development Manager (ISD)
Mitra A.K.	49	G.M., Information Technology	695750	B.E., M.Tech	24	1st Oct. 2000	I.T.C. Ltd. G.M., Information Technology (ISD)

Mitter A.	45	G.M., Systems Management Group	442616	B.E.(Hons.)	21	1st Dec. 2000	I.T.C. Ltd. Corporate MIS Manager
Munigesh K.R.	37	V.P., Finance	728888	B.Com.(Hons.) A.C.A.	16	1st Oct. 2000	I.T.C. Ltd. Divisional Head, Finance (ISD)
Rajasekhar V.V.	36	G.M., Systems Management Group	562221	B.E., M.B.A.	12	1st Dec. 2000	I.T.C. Ltd. Manager, I.T. Projects (ITD)
Singh K.K.	54	G.M., Systems Management Group	484486	Dip. in Elect. Engg.	34	1st Dec. 2000	I.T.C. Ltd. Operations Manager (ITD)
Sreenivasan V.	38	G.M., Software Development	835276	B.E.	16	1st Oct. 2000	I.T.C. Ltd. Head, Software Development Centre (ISD)
Trivedi A.	27	Business Analyst	117400	B.E.	4	1st Dec. 2000	I.T.C. Ltd. Business Analyst (ITD)
Hiremath S.	39	Software Development Manager	459990	B.E., M.Tech.	14	1st Oct. 2000	I.T.C. Ltd. Software Development Manager (ISD)

Notes:

- Gross remuneration comprises salary, allowances, medical reimbursements, leave travel assistance, Company's contribution to provident, pension and gratuity funds, monetary value of other perquisites on the basis of the Income Tax Act and Rules and leave encashment.
- All appointments are/were contractual, other terms and conditions are as per Company's Rules.
- None of the aforesaid employees is a relative of any Director of the Company.

On behalf of the Board

Kolkata, 15th May, 2001

Anup Singh Chairman

**ANNEXURE 'D' TO THE REPORT OF DIRECTORS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001****INFORMATION AS REQUIRED IN TERMS OF SECTION 217(2AA) OF THE COMPANIES ACT, 1956****DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors states:

- That in the preparation of the Annual Accounts for the year ended 31st March, 2001, the applicable accounting standards have been followed and there are no material departures.
- That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true

and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2001 and of the Profit of the Company for that period;

- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the Directors have prepared the Annual Accounts for the year ended 31st March, 2001 on a going concern basis.

On behalf of the Board

Kolkata, 15th May, 2001

Anup Singh Chairman

REPORT OF THE AUDITORS TO THE MEMBERS OF ITC INFOTECH INDIA LIMITED

We report that we have audited the Balance Sheet of ITC Infotech India Limited (Formerly ITC Threadneedle Trustees Limited) as at March 31, 2001 and the related Profit and Loss Account for the year ended on that date both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account.

In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the notes attached thereto and the Statement on Significant Accounting Policies give in the prescribed manner the information required by the Companies Act, 1956, and also give respectively, a true and fair view of the state of the Company's affairs as at March 31, 2001 and its profit for the year ended on that date.

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far, as appears from our examination of the books.

In our opinion these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211(3C) of the Companies Act, 1956.

On the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the director is disqualified as on March 31, 2001 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:

A.

- The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The management has physically verified all tangible fixed assets of the Company and no material discrepancies were noticed on such physical verification.
- The fixed assets of the Company have not been revalued during the year.
- The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section 370 are not applicable to a company.
- The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section 370 are not applicable to a company.
- The parties to whom the loans or advances in the nature of loans have been given are repaying the principal amounts as stipulated and interest regularly, where applicable.
- In our opinion the Company has adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase of computer hardware and software, consumables, plant and machinery, equipment and other assets. The activities of the Company do not involve sale of goods.
- There are no contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and hence requirement of reporting regarding transactions

of purchase of goods and materials and sale of goods, materials and services made in pursuance of such contracts aggregating during the year to Rs. 50,000/- or more in respect of each party does not arise.

- The Company has not accepted any deposits from the public.
- In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
- The Central Government of India has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of any of the products of the Company.
- The Company has regularly deposited, during the year, the Provident Fund dues with the appropriate authorities in India. According to the information given to us, Employees' State Insurance Schemes are not applicable to the Company.
- At the last day of the financial year there was no amount outstanding in respect of undisputed Income Tax, Wealth Tax, Customs Duty, Excise Duty and Sales Tax which were due for more than six months from the date they became payable.
- During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of such case by the management other than those payable under contractual obligations or normally accepted business practices.
- The Company is not a Sick Industrial Company within the meaning of clause (o) of sub section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 of India.

B.

- The nature of the services rendered is such that it does not involve consumption of materials and stores.
- In our opinion, the Company has a reasonable system of allocating man-hours utilised to the relative jobs, commensurate with its size and nature of its business.
- In our opinion, there is a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the Company and the nature of its business for allocation of labour to jobs.

The other clauses of the order namely 4A (iii), (iv), (v), (vi), (xii), (xiv), 4C and 4D are not applicable to the Company since in our opinion there is no matter which arises to be reported as per the aforesaid order.

S. Gopalakrishnan
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Kolkata
Date : 15th May, 2001

ITC INFOTECH INDIA LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2001

	Schedule	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
I. SOURCES OF FUNDS :			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	1	102,000,000	2,000,000
		<u>102,000,000</u>	<u>2,000,000</u>
2. LOAN FUNDS			
(a) Unsecured Loans	2	70,000,000	—
Total		<u>172,000,000</u>	<u>2,000,000</u>
II. APPLICATION OF FUNDS :			
1. FIXED ASSETS	3		
(a) Gross Block		50,197,798	—
(b) Less : Depreciation		<u>7,148,313</u>	—
(c) Net Block		43,049,485	—
(d) Capital Work-in-Progress		<u>4,653,131</u>	—
		<u>47,702,616</u>	—
2. CURRENT ASSETS, LOANS AND ADVANCES			
(a) Sundry Debtors	4	105,109,227	—
(b) Cash and Bank Balances	5	21,273,121	761,043
(c) Loans and Advances	6	<u>27,376,697</u>	<u>134,649</u>
		<u>153,759,045</u>	<u>895,692</u>
Less : Current Liabilities and Provisions			
(a) Current Liabilities	7	29,449,260	83,982
(b) Provisions	8	<u>456,056</u>	—
		<u>29,905,316</u>	<u>83,982</u>
Net Current Assets		123,853,729	811,710
3. MISCELLANEOUS EXPENDITURE	9	55,907	67,090
4. PROFIT AND LOSS ACCOUNT			
Total		<u>172,000,000</u>	<u>2,000,000</u>

NOTES TO THE ACCOUNTS

13

SIGNIFICANT ACCOUNTING POLICIES

14

The Schedules Referred To Above Form An Integral Part Of The Balance Sheet.

This Is The Balance Sheet Referred To In Our Report Of Even Date.

S. Gopalakrishnan
For and on behalf of Price Waterhouse
Chartered Accountants
Kolkata, May 15, 2001

For and on behalf of the Board of Directors

S. Verma Managing Director
B. B. Chatterjee Director
S. V. Shah Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

	Schedule	For the year ended 31st March, 2001 (Rs.)	For the year ended 31st March, 2000 (Rs.)
I. INCOME			
Services			
– Exports		84,379,032	—
– Domestic		<u>51,341,600</u>	—
Other Income	10	334,390	1,098,033
		<u>136,055,022</u>	<u>1,098,033</u>
II. EXPENDITURE			
Personnel Expenses	11	58,740,230	—
Operating and Administration Expenses	12	69,311,482	1,318,944
Depreciation		<u>7,188,675</u>	—
Preliminary Expenditure Written Off		11,183	11,183
		<u>135,251,570</u>	<u>1,330,127</u>
III. PROFIT BEFORE TAXATION		803,452	(232,094)
Provision for Taxation		<u>70,000</u>	—
IV. PROFIT AFTER TAXATION		733,452	(232,094)
Add : Loss Brought Forward		<u>(1,121,200)</u>	<u>(889,106)</u>
V. BALANCE CARRIED TO BALANCE SHEET		<u>(387,748)</u>	<u>(1,121,200)</u>

NOTES TO THE ACCOUNTS

13

SIGNIFICANT ACCOUNTING POLICIES

14

The Schedules Referred To Above Form An Integral Part Of The Profit And Loss Account.

This Is The Profit And Loss Account Referred To In Our Report Of Even Date.

S. Gopalakrishnan
For and on behalf of Price Waterhouse
Chartered Accountants
Kolkata, May 15, 2001

For and on behalf of the Board of Directors

S. Verma Managing Director
B. B. Chatterjee Director
S. V. Shah Company Secretary

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
1. SHARE CAPITAL				
AUTHORISED :				
1,50,00,000 Equity Shares of Rs. 10 each (2000 – 20,00,000)	150,000,000	20,000,000		
ISSUED, SUBSCRIBED & PAID-UP :				
1,02,00,000 Equity Shares of Rs. 10 each Fully Paid-up ; (2000 – 2,00,000)				
(All Equity Shares Are Held By The Holding Company I.T.C. Limited; 2000 – Nil)	102,000,000	2,000,000		
	102,000,000	2,000,000		
2. UNSECURED LOANS				
Other Loans				
Interest Free Loan From The Holding Company	70,000,000			
	70,000,000			
3. FIXED ASSETS				

	For the year ended 31st March, 2001 (Rs.)	For the year ended 31st March, 2000 (Rs.)
4. Auditors Remuneration		
Statutory Audit	420,000	3,000
Other Services	—	—
	<u>420,000</u>	<u>3,000</u>
5. Expenditure in Foreign Currency (On Payment Basis)		
Foreign Travelling	2,603,500	—
Others	323,929	—
	<u>2,927,429</u>	<u>—</u>
6. Earnings in Foreign Exchange (F.O.B. - Realisation Basis)		
Sale of Services	11,458,974	—
7. The carried forward loss relates to the period when the Company was operating as ITC Threadneedle Trustees Limited.		
8. As the Company has commenced the information services business with effect from 1st October 2000, figures of the current year are not comparable with the figures of the previous year. Comparative figures of the previous year, where necessary, have been regrouped to conform to those of the current year.		

14. SIGNIFICANT ACCOUNTING POLICIES**IT IS CORPORATE POLICY****Convention**

To prepare financial statements in accordance with applicable Accounting Standards in India. A summary of important accounting policies, which have been applied consistently, is set out below. The financial statements have also been prepared in accordance with relevant presentational requirements of the Companies Act, 1956.

Basis of Accounting

To prepare financial statements in accordance with the historical cost convention.

Revenue Recognition

To recognize revenues from services performed on a "time and material" basis, as and when the services are performed.

To recognize revenues from services performed on "time bound fixed-price engagements" using the percentage of completion method of accounting, if work completed can be reasonably estimated. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the period in which the change becomes known. Provisions for estimated losses on such engagements are made during the period in which a loss becomes probable and can be reasonably estimated.

To treat amounts received or billed in advance of services performed as unearned revenue. Unbilled revenue, included in debtors, represents amounts recognised based on services performed in advance of billing in accordance with contract terms.

Fixed Assets

To state fixed assets at actual cost less accumulated depreciation. The actual cost capitalised includes material cost, freight, installation cost, duties and taxes, finance charges and other incidental expenses incurred during the construction/installation stage.

Capital Work in Progress

To treat cost of assets not put to use before the year-end as capital work in progress.

Depreciation

To calculate depreciation on fixed assets on the straight-line method over their estimated useful lives at the rates, which are not less than those prescribed under Schedule XIV of the Companies Act, 1956.

The cost of and the accumulated depreciation for fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and/or losses are included in the Profit and Loss Account.

The estimated useful lives of fixed assets are as follows :

Buildings	25 years
P&M - Computers/Computer Accessories	3 years
Other Equipment	5 years
Furniture & Fixtures	5 years
Motor Vehicles	5 years
Leasehold Improvements	Shorter of lease period or estimated useful lives

Investments

To state long-term investments at cost. Where applicable, provision is made where there is a permanent diminution in the value of long-term investments.

Proposed Dividend

To provide for Dividends as proposed by the Directors in the books of accounts, pending approval at the Annual General Meeting.

Research and Development

To charge off all revenue expenditure incurred on research and development in the year it is incurred. Assets purchased for research and development activities are included in fixed assets.

Foreign Currency Translation

To account for transactions in foreign currency at the exchange rate prevailing on the date of transactions. Gains/losses arising out of fluctuations in the exchange rates are recognized in the Profit and Loss in the period in which they arise except in respect of Fixed Assets where exchange variance is adjusted in the carrying amount of the respective Fixed Assets.

To account for differences between the forward exchange rates and the exchange rates at the date of transactions, as income or expense over the life of the contracts, except in respect of liabilities incurred for acquiring Fixed Assets, in which case such differences are adjusted in the carrying amount of the respective Fixed Assets.

To account for profit/loss arising on cancellation or renewal of forward exchange contracts as income/expense for the period, except in case of forward exchange contracts relating to liabilities incurred for acquiring Fixed Assets, in which case such profit/loss are adjusted in the carrying amount of the respective Fixed Assets.

To account for gains/losses on foreign exchange rate fluctuations relating to current assets and liabilities at the Balance Sheet date.

Employee Benefits

To make regular monthly contributions to various Provident Funds, Pension Funds and Gratuity Funds which are charged to revenue. To administer through duly constituted and approved independent trusts, various Funds in respect of Employee Benefit Schemes.

To provide for leave encashment based on actuarial valuation made by independent actuaries as at the Balance Sheet date.

Claims

To disclose claims against the Company not acknowledged as debts after a careful evaluation of the facts and legal aspects of the matter involved.

S. Gopalakrishnan
For and on behalf of Price Waterhouse
Chartered Accountants
Kolkata, 15th May, 2001

For and on behalf of the Board of Directors

S. Verma Managing Director
B. B. Chatterjee Director
S. V. Shah Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. State Code
Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue Rights Issue
Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities Total Assets
Sources of Funds
Paid-up Capital Reserves & Surplus
Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Investments
Net Current Assets Misc. Expenditure
Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Including other Income) Total Expenditure
Profit/Loss before Tax Profit/Loss after Tax
☒ + ☐ - ☒ + ☐ -

(Please tick appropriate box + for Profit, - for Loss)

Earning per Share in Rs. Dividend Rate %

V. Generic Names of Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)
Product Description

* No item code has been assigned to "Computer Software Services" under the Indian Trade Classification.

REPORT OF THE DIRECTORS

The Directors present their Report together with financial statements for the 15 month period ended 31st March, 2001.

Principal activities

The Company, together with its wholly owned subsidiary, ITC Infotech (USA) Inc. (hereinafter referred to as Group), is engaged in providing IT services, software development and support services.

Change of accounting year

For purposes of MIS and consolidation of accounts and so as to coincide with the accounting year of the holding company, the accounting year of the Company has been changed from January-December to April-March and accordingly the accounting year 2000 was extended by a period of three months from 31st December 2000 so as to end on 31st March, 2001. The US subsidiary has also similarly changed its accounting year to April-March and prepared its accounts for a fifteen month period ended 31st March, 2001.

Business review

For the IT industry, the year started off on a high note. Belying predictions of a slowdown in the wake of huge Y2K spends and the consequent cut backs in IT expenditure, the market continued to be buoyant with respect to the Group's offerings. The Group took a conscious decision to focus on the lucrative and long-term high end project market resulting in substantial revenue increase from both offshore and onshore projects with an overall revenue growth of over 60%. The Group witnessed a lengthening sales cycle representing the shift in client mix from Internet start-ups with short sales cycles to established enterprises with traditionally longer sales cycles.

To service the high end projects, a development centre was opened in UK, which was certified ISO 9001 during the year confirming the high class quality practices of the Group. To increase market access in the US, an office was opened in the West Coast at Los Angeles. The Group continues to make significant investments in technology infrastructure and business development activities as part of its efforts to service new markets and create business relationship with leading global companies to enrich the revenue portfolio.

However the latter part of the year witnessed unprecedented turbulence in the technology sector in the US resulting in slow down in the overall economy. There has been an immediate significant drop in spending on information technology by companies. Your Group has also been affected by the slow down and consequently the full potential of the Group's investments in infrastructure and people could not be realised this year. While the turnover of the Company increased from £2.2 million (12 months) to £4.8 million (fifteen months) and the net profit increased from £0.1 million to £0.3 million, the turnover of the Group increased from £4.3 million to £8.4 for the same period. However, as a result of substantial drop in the operating margins of US subsidiary, the Group had a net loss of £0.7 million for the fifteen month period ended 31st March, 2001.

These are challenging times for the IT services companies and your Group is closely monitoring the market situation and is confident to achieve future business growth through aggressive

marketing, superior management and robust technical and physical infrastructure in the USA, UK, India and availability of domain specialists.

In line with the restructuring of the IT Business of the holding company, your Board has decided to sell its entire shareholding in ITC Infotech (USA) Inc. i.e. 2000 shares of US\$100 each to ITC Infotech India Limited, a wholly owned subsidiary of ITC, at an aggregate consideration of US\$400,000. Approval of the Treasury in UK has been received by the Company for the sale of these shares. Subsequent to the year end, ITC Infotech India Limited has also received the approval of the Reserve Bank of India for purchase of these shares.

Directors

The Directors in office at the end of the year are listed below. All served on the Board throughout the year.

The interests of the Directors in the shares of the company and its subsidiary undertaking at 31st March, 2001 and at 31st December, 1999 were as follows :

	2001 and 2000 Ordinary Shares
A Singh	—
S Verma	—
B B Chatterjee	—
S K Desai (alternate Director to Mr. S. Verma)	—

The company is a wholly owned subsidiary of I.T.C. Limited which is incorporated in India.

Directors' responsibilities for the financial statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton, Auditors of the Company, offer themselves for reappointment in accordance with Section 385 of the Companies Act 1985.

On behalf of the Board

S. Verma
Director

15th May, 2001

REPORT OF THE AUDITORS TO THE MEMBERS OF ITC INFOTECH LIMITED

We have audited the financial statements on pages 113 to 115 which have been prepared under the accounting policies set out on page 112.

Respective responsibilities of directors and auditors

As described on page 112 the company's Directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, of those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2001 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
Central Milton Keynes
15 May 2001

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention. The principal accounting policies of the group are set out below and remain unchanged from the previous year.

Basis of consolidation

The group financial statements consolidate the results of the company and its subsidiary, ITC Infotech (USA) Inc. Profits or losses on intra-group transactions are eliminated in full.

Turnover

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts.

Tangible fixed assets and depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives.

The rate generally applicable is:

Motor vehicles, fixtures and fittings, computer equipment and leasehold improvements - 25%

Deferred taxation

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse, and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Leased assets

All leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

Investments

Investments are included at cost.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities of foreign subsidiaries are translated at the rate of exchange ruling at the Balance Sheet date. The results of overseas subsidiaries are included in the consolidated profit and loss account at an average rate through the period. All exchange differences are dealt with through the Profit and Loss Account.

Development costs

Development costs are capitalised when recoverability can be assessed with reasonable certainty and amortised in line with expected sales arising from the projects. All other development costs are written off in the year of expenditure.

Liquid resources

Liquid resources are defined as current asset investments held as readily disposable stores of value. A readily disposable investment is one that is disposable by the company without curtailing or disrupting its business; and is either readily convertible into known amounts of cash at or close to its carrying amount, or traded in an active market.

Recruitment costs

Legal costs and other charges incurred to obtain visas and other required immigration papers for recruits, recruitment fees and relocation costs are included in prepayments and amortised over the lesser of 2 years or the expected employment period of the employees.

ITC INFOTECH LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 MARCH 2001

	Note	15 months to 31 March 2001 £	12 months to 31 December 1999 £
Turnover	1	8,398,597	4,313,717
Cost of sales		(6,432,763)	(3,035,637)
Gross profit		1,965,834	1,278,080
Other operating income and charges	2	(2,587,002)	(998,176)
Operating (loss)/profit		(621,168)	279,904
Net interest	3	5,876	16,417
(Loss)/profit on ordinary activities before taxation	1	(615,292)	296,321
Tax on (loss)/profit on ordinary activities	5	(91,190)	(109,378)
(Loss)/profit for the financial period	6	(706,482)	186,943
Dividend	7	—	(51,436)
(Loss)/profit retained	14	(706,482)	135,507

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
AT 31 MARCH 2001

	Note	31 March 2001 £	31 December 1999 £
Fixed assets			
Intangible assets	8	67,482	—
Tangible assets	9	138,838	98,035
		<u>206,320</u>	<u>98,035</u>
Current assets			
Debtors	11	2,332,157	1,305,144
Cash at bank and in hand		130,704	468,043
		<u>2,462,861</u>	<u>1,773,187</u>
Creditors : amounts falling due within one year	12	(2,205,569)	(710,546)
Net current assets		257,292	1,062,641
Total assets less current liabilities		<u>463,612</u>	<u>1,160,676</u>
Capital and reserves			
Called up share capital	13	685,815	685,815
Profit and loss account	14	(222,203)	474,861
Shareholders' funds	15	<u>463,612</u>	<u>1,160,676</u>

The financial statements were approved by the Board of Directors on 15th May, 2001.

The accompanying accounting policies and notes form an integral part of these financial statements.

S. Verma

Director

COMPANY BALANCE SHEET
AT 31 MARCH 2001

	Note	31 March 2001 £	31 December 1999 £
Fixed assets			
Intangible assets	8	67,482	—
Tangible assets	9	122,289	85,556
Investments	10	124,565	124,565
		<u>314,336</u>	<u>210,121</u>
Current assets			
Debtors	11	2,502,868	941,657
Cash at bank and in hand		4,270	371,902
		<u>2,507,138</u>	<u>1,313,559</u>
Creditors : amounts falling due within one year	12	(1,566,498)	(541,030)
Net current assets		940,640	772,529
Total assets less current liabilities		<u>1,254,976</u>	<u>982,650</u>
Capital and reserves			
Called up share capital	13	685,815	685,815
Profit and loss account	14	569,161	296,835
Shareholders' funds		<u>1,254,976</u>	<u>982,650</u>

The financial statements were approved by the Board of Directors on 15th May, 2001.

The accompanying accounting policies and notes form an integral part of these financial statements.

S. Verma

Director

ITC INFOTECH LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2001

	Note	15 months to 31 March 2001 £	12 months to 31 December 1999 £
Net cash (outflow)/inflow from operating activities	16	(728,424)	106,277
Returns on investments and servicing of finance			
Interest received		5,876	16,417
Net cash inflow from returns on investments and servicing of finance		5,876	16,417
Taxation		(103,582)	(122,865)
Capital expenditure			
Purchase of tangible fixed assets		(177,690)	(68,076)
Net cash outflow from capital expenditure		(177,690)	(68,076)
Equity dividend paid		—	(51,436)
Management of liquid resources			
Release of short term deposits		—	93,587
Decrease in cash and cash equivalents	17	(1,003,820)	(26,096)

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 31 MARCH 2001

	15 months to 31 March 2001 £	12 months to 31 December 1999 £
(Loss)/profit for the period	(706,482)	135,507
Currency translation differences on foreign currency net investments	9,418	2,397
Total recognised gains and losses	(697,064)	137,904

The accompanying accounting policies and notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2001

1. Turnover and (loss)/profit on ordinary activities before taxation

The turnover and profit before taxation is attributable to the provision of IT consultancy services and the development and support of software.

Turnover by geographical origin and destination is as follows :

	15 months to 31 March 2001 £	12 months to 31 December 1999 £
UK	4,771,916	2,207,854
USA	3,626,681	2,105,863
	<u>8,398,597</u>	<u>4,313,717</u>

The profit on ordinary activities is stated after :

	15 months to 31 March 2001 £	12 months to 31 December 1999 £
Auditors' remuneration – group	11,500	10,000
Depreciation :		
Tangible fixed assets, owned	69,305	48,456
Operating lease rentals : – buildings	119,120	71,850
– other	6,394	9,106

2. Other operating income and charges

	15 months to 31 March 2001 £	12 months to 31 December 1999 £
Administrative expenses	2,616,754	1,054,487
Other operating income	(29,752)	(56,311)
	<u>2,587,002</u>	<u>998,176</u>

3. Net interest

	15 months to 31 March 2001 £	12 months to 31 December 1999 £
Other interest receivable and similar income	5,876	16,417

4. Directors and employees

Staff costs during the period were as follows:

	15 months to 31 March 2001 £	12 months to 31 December 1999 £
Wages and salaries	4,952,032	2,409,813
Social security costs	352,017	218,482
	<u>5,304,049</u>	<u>2,628,295</u>

Average number of employees

	15 months to 31 March 2001	12 months to 31 December 1999
	132	86

Remuneration in respect of directors was as follows :

	15 months to 31 March 2001 £	12 months to 31 December 1999 £
Directors' emoluments	130,234	98,969

5. Tax on profit on ordinary activities

The taxation charge represents :

	15 months to 31 March 2001 £	12 months to 31 December 1999 £
Corporation tax @ 31%	118,566	52,000
Overseas tax	(27,376)	57,378
Underprovision in respect of prior years	—	—
	<u>91,190</u>	<u>109,378</u>

6. Profit for the financial period

In accordance with the provisions of Section 230 of the Companies Act 1985 the parent company has not included its own profit and loss account in these financial statements.

The group loss for the period includes a profit of £272,326 (1999: £107,906) which is dealt with in the financial statements of the company.

ITC INFOTECH LIMITED

7. Dividend

	15 months to 31 March to 31 December 2001	12 months 1999
	£	£
Ordinary shares : proposed final dividend of nil per share (1999 : 7.5p per share)	—	51,436

8. Intangible fixed assets

	Development costs £
The group and company Cost	—
At 1 January 2000	—
Additions	67,482
At 31 March 2001	67,482
Net book amount at 31 March 2001	67,482
Net book amount at 31 December 1999	—

9. Tangible fixed assets

	Leasehold improvements £	Motor vehicles £	Computer equipments £	Fixtures & fittings £	Total £
The group					
Cost					
At 1 January 2000	22,346	1,666	218,939	27,861	270,812
Additions	2,034	—	88,882	19,292	110,208
Disposals	—	(1,666)	—	—	(1,666)
At 31 March 2001	24,380	—	307,821	47,153	379,354
Depreciation					
At 1 January 2000	9,207	1,566	143,473	18,531	172,777
Provided in the period	7,091	—	53,052	9,162	69,305
Eliminated on disposal	—	(1,566)	—	—	(1,566)
At 31 March 2001	16,298	—	196,525	27,693	240,516
Net book amount at 31 March 2001	8,082	—	111,296	19,460	138,838
Net book amount at 31 December 1999	13,139	100	75,466	9,330	98,035
The company					
Cost					
At 1 January 2000	22,346	1,666	178,955	27,861	230,828
Additions	2,034	—	70,647	19,292	91,973
Disposals	—	(1,666)	—	—	(1,666)
At 31 March 2001	24,380	—	249,602	47,153	321,135
Depreciation					
At 1 January 2000	9,207	1,566	115,968	18,531	145,272
Provided in the period	7,091	—	38,887	9,162	55,140
Eliminated on disposal	—	(1,566)	—	—	(1,566)
At 31 March 2001	16,298	—	154,855	27,693	198,846
Net book amount at 31 March 2001	8,082	—	94,747	19,460	122,289
Net book amount at 31 December 1999	13,139	100	62,987	9,330	85,556

10. Investments

	31 March 2001	31 December 1999
	£	£
Investment in share capital of US subsidiary undertaking	124,565	124,565

The investment represents the whole of the share capital of ITC Infotech (USA) Inc., a company incorporated in the USA, and is principally engaged in the provision of IT services, the development and support of software. This company has been consolidated into the group financial statements.

11. Debtors

	The group 2001	The group 1999	The company 2001	The company 1999
	£	£	£	£
Trade debtors	1,421,982	990,389	650,553	554,361
Amounts owed by group undertakings	7,940	14,223	1,520,595	203,839
Other debtors	272,012	133,568	65,238	54,039
Prepayments	630,223	166,964	266,482	129,418
	2,332,157	1,305,144	2,502,868	941,657

12. Creditors: amounts falling due within one year

	The group 2001	The group 1999	The company 2001	The company 1999
	£	£	£	£
Bank loans and overdrafts	666,481	—	666,481	—
Trade creditors	235,303	109,859	112,879	78,035
Amounts owed to group undertakings	545,929	12,654	325,861	12,654
Corporation tax	91,474	103,866	76,326	41,878
Social security and other taxes	175,055	138,459	175,055	134,367
Proposed dividend	—	51,436	—	51,436
Other creditors	491,327	294,272	209,896	222,660
	2,205,569	710,546	1,566,498	541,030

13. Share capital

	2001 and 1999
	£
Authorised share capital	
1,629,700 ordinary shares of £1 each	1,629,700
Allotted, called up and fully paid	
685,815 ordinary shares of £1 each	685,815

14. Profit and loss account

	The group 2001	The company 2001
	£	£
At 1 January 2000	474,861	296,835
(Loss)/profit for the financial period	(706,482)	272,326
Exchange difference	9,418	—
At 31 March 2001	(222,203)	569,161

15. Reconciliation of movement in shareholders' funds

	2001	1999
	£	£
(Loss)/profit for the financial period	(706,482)	186,943
Dividends	—	(51,436)
	(706,482)	135,507
Other recognised gains and losses	9,418	2,397
Net (decrease)/increase in shareholders' funds	(697,064)	137,904
Shareholders' funds at 1 January 2000	1,160,676	1,022,772
Shareholders' funds at 31 March 2001	463,612	1,160,676

16. Net cash inflow/(outflow) from operating activities

	15 months to 31 March 2001	12 months to 31 December 1999
	£	£
Operating (loss)/profit	(621,168)	279,904
Depreciation	69,305	48,456
Loss on disposal of fixed assets	100	—
(Increase) in debtors	(1,027,013)	(189,391)
(Increase)/decrease in creditors	840,934	(35,089)
Exchange differences	9,418	2,397
Net cash inflow from operating activities	(728,424)	106,277

17. Reconciliation of net cashflow to change in net funds

	15 months to 31 March 2001	12 months to 31 December 1999
	£	£
(Decrease) in cash in the period	(1,003,820)	(26,096)
(Outflow) from increase in liquid resources	—	(93,587)
Movement in net funds in the period	(1,003,820)	(119,683)
Net funds at 1 January 2000	468,043	587,726
Net funds at 31 March 2001	(535,777)	468,043

18. Analysis of changes in net funds

	At 31 December 1999	Cashflow	At 31 March 2001
	£	£	£
Cash in hand and at bank	97,959	32,745	130,704
Current asset investments	370,084	(370,084)	—
Bank loans and overdrafts	—	(666,481)	(666,481)
	468,043	(1,003,820)	(535,777)

19. Capital commitments

Neither the group nor the company had any capital commitments at 31 March 2001 or 31 December 1999.

20. Contingent liabilities

There were no contingent liabilities at 31 March 2001 or 31 December 1999.

21. Leasing commitments

Operating lease payments amount to £117,514 (1999: £77,956) are due within 1 year. The leases to which these relate expire as follows:

	Land and buildings 31 March 2001	Land and buildings 31 December 1999	Other 2001	Other 1999
	£	£	£	£
In one year or less	—	39,500	—	4,212
Between one and five years	81,770	—	6,394	4,894
In five years or more	29,350	29,350	—	—
	111,120	68,850	6,394	9,106

22. Controlling related party

The ultimate parent undertaking and controlling related party is its parent company, I.T.C. Limited, which is incorporated in India. This is also the largest group of undertakings for which consolidated accounts have been drawn up, including this company.

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001

Your Directors submit their Report and Accounts for the financial year ended 31st March, 2001.

Financial Performance

During the year under review, your Company earned a gross income of Rs. 1950.80 lacs and has suffered a net loss of Rs. 1735.96 lacs after providing for depreciation.

Share Capital

During the year under review, ITC Limited acquired 70% of the Equity capital in your Company from International Travel House Limited. As a result, your Company and its eight subsidiary companies viz., Aravali Golf Estates Limited, Oasis Golf Estates Limited, Manesar Estates Limited, Gangani Estates Limited, Kota Estates Limited, B.J. Estates Limited, B.L. Estates Limited and V.P. Estates Limited, became subsidiaries of ITC limited and ceased to be subsidiaries of International Travel House Limited.

Amalgamation

The said eight subsidiaries were amalgamated with your Company vide order of the Hon'ble High Court of Delhi passed on 29th March, 2001 with retrospective effect from 1st April, 2000, and consequently, they were dissolved without being wound up.

Projects

Classic Golf Resort

The twenty seven hole Jack Nicklaus golf course at the Classic Golf Resort continues to be recognised as one of the finest courses in South East Asia and the best in India. During the year under review, several prestigious tournaments were held at the Classic Golf Resort, the most significant being the Wills Indian Open (prize money : US\$ 3,00,000), Xerox Open, Business Today ProAm, etc.

The details of the proposed resort hotel and golf villas projects at the Classic Golf Resort are under finalisation.

The Laburnum

Out of the 263 residential units in the Laburnum complex, possession for 246 residential units which include independent villas and penthouses has already been offered. The seventeen centrally air conditioned apartments are expected to be ready for possession soon. The Laburnum complex continues to be rated as one of the best residential complexes in North India and is comparable to the best in Hongkong and Singapore.

Directors

During the year under review Mr. Kanwal Kant Malhotra resigned from the Board of the Company. The Board records its appreciation of the services rendered by Mr. Kanwal Kant Malhotra during his tenure as a director of the Company.

Mr. M. Riaz Ahmed and Mr. Rajiv Tandon, were appointed as Additional Directors of the Company. As per the provisions of Section 260 of the Companies Act, 1956 read with Article 92 of the Articles of Association of the Company they would vacate office at the forthcoming Annual General Meeting, and

being eligible offer themselves for re-appointment.

In accordance with Articles 106 and 107 of the Articles of Association of the Company, Mr. Vijay Bhati will retire by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

Directors' Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors state that :

a) in the preparation of annual accounts under review the applicable accounting standards had been followed; b) appropriate accounting policies were selected and applied consistently and reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year under review and of the profit or loss of the Company for that period; c) proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; d) the annual accounts are prepared on a going concern basis. The required disclosure and significant accounting policies followed are appearing in Schedules 20 and 21 respectively, in the annual accounts.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The applicable information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given below :

- (a) Conservation of Energy
 The Company does not fall under the List of Industries furnished in Form 'A' of the Rules and therefore, Clause A of Rule 2 does not apply.
- (b) Technology Absorption
 The provisions of Clause B of Rule 2 are not attracted as the Company has not imported any technology during the year under review.
- (c) Foreign Exchange Earnings and Outgo
 i) Earnings : During the year under review, gross foreign exchange earnings of the Company were Rs. 276.15 lacs.
 ii) Outgo : Foreign exchange outgo during the year under review was Rs. 15.56 lacs.

Auditors

The Auditors of your Company M/s. Lovelock and Lewes, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Particulars of Employees

Information pursuant to Section 217(2A) of the Coampanies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, is annexed.

ANNEXURE TO THE REPORT OF DIRECTORS

Particulars of Employees under Section 217(2A) of the Companies Act, 1956 and forming part of the Report of Directors.

Name	Age (Years)	Designation/ Nature of duties	Gross Remuneration (Rs.)	Qualifications	Experience (Years)	Date of commencement of employment	Previous Employment/ Position Held
Employed throughout the year and was in receipt of remuneration for the year aggregating Rs. 12,00,000/- or more							
Pradip Jain	48	Managing Director	15,31,460	M.A. (Eco) M.S. (Eco, USA) MBA (USA)	23	1.6.92	Industrialist

Employed for a part of the year and was in receipt of remuneration aggregating Rs. 1,00,000/- or more per month
NIL

Notes:

1. None of the above employees is related to any Director of the Company.
2. All the appointments are Contractual.
3. Gross remuneration includes salary, allowances, value of perquisites, Company's contribution to Provident, Pension Fund.

		On behalf of the Board	
		Pradip Jain	Managing Director
New Delhi, 22nd May, 2001		M. Riaz Ahmed	Director

AUDITORS' REPORT TO THE MEMBERS OF LANDBASE INDIA LIMITED

1. We report that we have audited the Balance Sheet of Landbase India Limited as at March 31, 2001 and the relative Profit and Loss Account for the year ended on that date both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account.
2. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the notes thereon/attached thereto and the Schedule of Significant Accounting Policies give in the prescribed manner the information required by the "The Companies Act, 1956", of India (the 'Act'), and also give respectively, a true and fair view of the state of the Company's affairs as at March 31, 2001 and its Loss for the year ended on that date.
3. In view of the net loss of the Company during the year and the accumulated losses till the balance sheet date, we draw attention to para (v) of the Schedule 20, the Notes to the Accounts regarding the future plans of the Company.
4. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as appears from our examination of the books.
5. In our opinion, these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Act.
6. Based on representations made by all the Directors of the Company and the information and explanations as made available, directors of the company do not prima facie have any disqualification as referred to in clause (g) of sub-section (1) to Section 274 of the Act.
7. As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988 dated 7th September 1988 issued by the Central Government of India and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:
- 7.1 (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
- (b) The management physically verifies fixed assets in a phased programme designed during the year to cover all items of fixed assets over a period of three years, which we consider to be reasonable and all material discrepancies noticed during the verification is properly adjusted in the books.
- 7.2 The fixed assets of the Company have not been revalued during the year.
- 7.3 The stocks of stores, spare parts, foods and beverages, merchandising stock etc. of the Company have been physically verified by the management at the year end.
- 7.4 In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- 7.5 The discrepancies noticed on verification between the physical and the book records, which in our opinion were not material, have been properly dealt with in the books of account. In our opinion, the valuation of stocks of finished goods, stores, spare parts and merchandising stock has been fair and proper in accordance with the normally accepted accounting principles in India and is on the same basis as in the earlier year.
- 7.6 The Company has taken unsecured loan from the body corporate as listed in the register maintained under Section 301 of the Act. The terms and rate of interest are not prejudicial to the interest of the Company. There are no other loans, secured or unsecured, from Companies, firms or other parties listed in the Register maintained under Section 301 of the Act.
- 7.7 The Company has not granted any loans, secured or unsecured, to the companies, firms or other parties listed in the Register maintained under Section 301 of the Act.
- 7.8 The Company has given interest free loans to employees who are repaying the principal as per stipulated period. There are no other loans or advances in nature of loans to any other parties.

- 7.9 In our opinion, internal control procedures are adequate to commensurate with the size of the Company and the nature of its business, for purchases of merchandising stock, stores, provisions (food and beverage etc) including plant and machinery, equipment and similar assets and for the sale of merchandising stocks etc and other services.
- 7.10 The Company has not entered into transactions during the year of purchase of any goods, material and sale of goods, material and services etc. made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Act, and aggregating during the year to Rs. 50,000/- or more in value.
- 7.11 The Company has a system of determining unserviceable or damaged stores, merchandising stocks and provisions for the loss, if any, have been made in the accounts.
- 7.12 The Company has not accepted any deposits from the public covered under the directives of the Reserve Bank of India and Section 58A of the Act and the Companies (Acceptance of Deposit) Rules, 1975.
- 7.13 The Company does not have any by-product and scrap.
- 7.14 The Company's internal audit system is commensurate with the size and the nature of its business.
- 7.15 The Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Act.
- 7.16 The Company has been regular during the year in depositing Provident Fund and Employees State Insurance dues with the appropriate authorities.
- 7.17 At the last day of the financial year there were no amounts outstanding in respect of undisputed Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which were due for more than six months from the date they become payable.
- 7.18 During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to the Profit and Loss Account, nor have we been informed of any such case by the management other than those payable under contractual obligations and/or accepted business practices.
- 7.19 As informed by the management the provision of the Sick Industrial Companies (Special Provision) Act, 1985 are not applicable to the Company.
- 7.20 In respect of services rendered:
- (a) In our opinion, the Company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials and stores consumed to the relative jobs, commensurate with the size and nature of its business.
- (b) In our opinion, the Company has a reasonable system of allocating man-hours utilised to the relative jobs commensurate with the size and nature of its business.
- (c) In our opinion, the Company has a reasonable system of authorisation at proper levels with necessary controls on the issue of stores and the related system of internal control of the Company is commensurate with the size of the Company and nature of its business.
- 7.21 In respect of trading activities, damaged goods have been determined pursuant to the Company's laid down procedures and consequential adjustments have been made in the accounts.

		Kaushik Dutta	
		Partner	
		For and on behalf of	
		Lovelock & Lewes	
		Chartered Accountants	
New Delhi, 22nd May, 2001			

LANDBASE INDIA LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2001

	Schedule	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	4,00,00,000	4,00,00,000
b) Reserves and Surplus	2	22,04,133	22,04,133
2. Loan Funds			
a) Secured Loans	3	12,48,70,915	46,46,55,838
b) Unsecured Loans	4	68,82,845	2,19,55,789
TOTAL		17,39,57,893	52,88,15,760
II. APPLICATION OF FUNDS			
1. Fixed Assets	5		
Gross Block		94,06,07,336	75,19,54,670
Less : Depreciation		12,45,07,409	9,83,16,597
Net Block		81,60,99,927	65,36,38,073
Capital Work-in-Progress		92,26,235	1,58,23,743
2. Project Expenditure Pending Allocation	6	1,77,54,232	1,91,97,091
3. Investments	7	—	3,03,420
4. Current Assets, Loans and Advances			
a) Inventories	8	3,37,16,466	3,84,12,587
b) Sundry Debtors	9	74,33,105	3,22,58,553
c) Cash and Bank Balances	10	4,59,50,160	4,48,14,745
d) Other Current Assets	11	27,62,515	1,77,02,907
e) Loans and Advances	12	3,76,82,809	24,25,72,793
		12,75,45,055	37,57,61,585
Less : Current Liabilities and Provisions			
a) Liabilities	13	1,00,13,35,570	56,37,56,499
b) Provisions	14	19,76,994	17,53,869
Net Current Assets		(87,57,67,509)	(18,97,48,783)
5. Miscellaneous Expenditure (To the extent not written off or adjusted)			
Preliminary Expenses		1,02,010	81,420
6. Profit and Loss Account		20,65,42,998	2,95,20,796
TOTAL		17,39,57,893	52,88,15,760
NOTES TO THE ACCOUNTS	20		
SIGNIFICANT ACCOUNTING POLICIES	21		

Schedules 1 to 14, 20 and 21 referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our Report of even date.

For LOVELOCK & LEWES
Chartered Accountants
Kaushik Datta, Partner
New Delhi, 22nd May, 2001

On behalf of the Board

Pradeep Jain Managing Director
M. Riaz Ahmed Director
Vibhor Verma Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

	Schedule	For the year ended 31st March, 2001 (Rs.)	For the year ended 31st March, 2000 (Rs.)
I. INCOME			
Income from Apartments		11,09,31,168	49,00,02,166
Income from Operations	15	6,56,84,771	6,20,17,883
Income from Advertisement		—	1,95,000
Other Income	16	1,84,63,904	2,56,15,976
		19,50,79,843	57,78,31,025
II. EXPENDITURE			
Raw Material, Merchandising etc. Consumed and Expenditure incurred on Construction	17	13,18,83,518	41,56,38,507
Financial Expenses	18	8,85,30,092	7,11,10,026
Operating and Administrative Expenses	19	11,61,35,688	9,14,71,037
Depreciation on Fixed Assets		3,20,86,535	3,47,71,392
		36,86,35,833	61,29,90,962
III. PROFIT			
Profit/(Loss) Before Taxation		(17,35,55,990)	(3,51,59,937)
Less: Provision for Taxation		28,195	1,68,879
(Provision in respect of earlier year Rs. 28,195/- Previous year Rs. 1,68,879/-)			
Add: Excess provision written back		33,526	—
Less: Provision for Wealth Tax		45,000	50,000
Profit/(Loss) after Taxation		(17,35,95,659)	(3,53,78,816)
Profit/(Loss) Brought Forward		(3,29,47,339)	58,58,020
Profit/(Loss) Carried Forward		(20,65,42,998)	(2,95,20,796)

NOTES TO THE ACCOUNTS

20

Schedules 15 to 20 referred to above form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our Report of even date.

On behalf of the Board

For LOVELOCK & LEWES
Chartered Accountants
Kaushik Datta, Partner
New Delhi, 22nd May, 2001

Pradeep Jain Managing Director
M. Riaz Ahmed Director
Vibhor Verma Company Secretary

SCHEDULES TO THE BALANCE SHEET

1. SHARE CAPITAL

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
AUTHORISED		
1,00,00,000 Equity Shares of Rs. 10/- each	10,00,00,000	10,00,00,000
ISSUED, SUBSCRIBED AND PAID UP		
40,00,000 Equity Shares of Rs. 10/- each, fully paid up	4,00,00,000	4,00,00,000
[Out of the above 28,00,000 Equity Shares (Previous Year 28,00,000 Equity Shares) are held by the Holding Company ITC Limited (Previous Year held by International Travel House Ltd.)]		
	4,00,00,000	4,00,00,000

2. RESERVES AND SURPLUS

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
General Reserves		
At the commencement of the year	22,04,133	22,04,133
	22,04,133	22,04,133

3. SECURED LOANS

From Banks		
– Term Loans	—	11,00,00,000
– Cash Credit	48,70,915	39,60,489
From Others	12,00,00,000	35,06,95,349
	12,48,70,915	46,46,55,838

- The Term Loans are secured by a charge over receivables, both present and future and pari-passu equitable mortgage of land and building.
- Cash Credit Limit is secured by hypothecation of stock and receivables.
- Loans from others are secured by a charge on receivables and equitable mortgage of land.

4. UNSECURED LOANS

From Others	68,82,845	2,19,55,789
	68,82,845	2,19,55,789

5. FIXED ASSETS (At cost)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1st April, 2000	Additions	Withdrawals	As at 31st March, 2001	As at 1st April, 2000	For the year	Withdrawals	As at 31st March, 2001	As at 31st March, 2001	As at 31st March, 2000
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Land (Freehold)**	2,05,33,509	18,24,15,357	—	20,29,48,866	—	—	—	—	20,29,48,866	2,05,33,509
Buildings*	22,98,02,035	5,14,574	—	23,03,16,609	98,15,584	45,63,285	—	1,43,78,869	21,59,37,740	21,99,86,541
Plant and Machinery	23,79,71,584	11,99,638	1,16,05,247	22,75,65,975	3,63,14,117	1,20,26,613	56,96,284	4,26,44,446	18,49,21,529	20,16,57,467
Golf Course	20,99,71,161	1,57,56,876	—	22,57,28,037	2,66,26,887	1,03,46,831	—	3,69,73,718	18,87,54,319	18,33,44,274
Office & Other Equipment	70,46,236	3,68,225	86,878	73,27,583	15,89,855	3,26,844	22,568	18,94,131	54,33,452	54,56,381
Furniture and Fixtures	1,60,72,026	1,95,414	—	1,62,67,440	1,24,07,943	5,91,747	—	1,29,99,690	32,67,750	36,64,083
Computers	56,71,273	2,21,401	—	58,92,674	31,20,399	9,75,839	—	40,96,238	17,96,436	25,50,874
Vehicles	81,70,761	4,26,785	7,62,195	78,35,351	29,69,336	7,95,733	3,70,536	33,94,533	44,40,818	52,01,425
Golf Carts	1,29,88,488	—	—	1,29,88,488	49,15,757	25,91,876	—	75,07,633	54,80,855	80,72,731
Live Stock	45,500	—	—	45,500	—	—	—	—	45,500	45,500
Improvements to Rented/ Leased Premises	36,82,097	8,716	—	36,90,813	5,56,719	61,432	—	6,18,151	30,72,662	31,25,378
	75,19,54,670	20,11,06,986	1,24,54,320	94,06,07,336	9,83,16,597	3,22,80,200	60,89,388	12,45,07,409	81,60,99,927	65,36,38,073
Capital Work-in-Progress	1,58,23,743	72,05,136	1,38,02,644	92,26,235	—	—	—	—	92,26,235	1,58,23,743
TOTAL	76,77,78,413	20,83,12,121	2,62,56,963	94,98,33,571	9,83,16,597	3,22,80,200	60,89,388	12,45,07,409	82,53,26,162	66,94,61,816
Previous Year	74,88,09,667	2,16,01,786	26,33,040	76,77,78,413	6,35,38,719	3,55,51,991	7,74,113	9,83,16,597	66,94,61,816	—

* Buildings include vehicular roads of Rs. 45,95,709/- (Previous Year Rs. 43,45,709/-) being depreciated over the period of five years

Depreciation for the year includes Depreciation transferred to Work in Progress – Rs. 1,93,665/- (Previous year Rs. 7,80,599/-)

** Includes land transferred from subsidiaries under the scheme of amalgamation Rs. 18,24,15,356.50

6. PROJECT EXPENDITURE PENDING ALLOCATION

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
Employees' Remuneration and Welfare Expenses	9,25,095	8,46,801
Rent	1,22,535	1,22,535
Rates and Taxes	8,241	8,241
Travelling and Conveyance	80,649	80,649
Vehicle Maintenance	23,454	23,454
Communication Expenses	28,110	28,110
Electricity and Water Expenses	4,548	4,548
Insurance	6,658	6,658
Repair and Maintenance - Others	5,79,099	4,74,351
Business Promotion	23,018	23,018
Printing and Stationery	31,329	31,329
Legal and Professional Fees	26,16,543	26,16,543
Management Fee	5,902	5,902
Advertisement and Sales Promotion	37,742	37,742
Technical Know-how Fee	1,48,93,619	1,45,65,289
Interest	2,13,546	2,13,546
Lease Rental	40,577	40,577
Depreciation	22,583	22,583
Miscellaneous Expenses	45,215	45,215
	1,97,08,463	1,91,97,091
Less : Transferred to Fixed Assets	19,54,231	—
	1,77,54,232	1,91,97,091

7. INVESTMENTS (At Cost)

UNQUOTED - LONG TERM (Contd.)

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
b) OTHER INVESTMENTS		
Total Sports Concepts Limited	5,00,000	5,00,000
50,000 Equity Shares of Rs. 10/- each fully paid	—	—
Less : Provision for diminution in value of investment	5,00,000	—
	—	3,03,420

* The Subsidiary Companies have been amalgamated with the Company. (Refer Note 1 of Schedule 20)

8. INVENTORIES

Merchandising stock	24,51,717	31,98,645
Land - At Cost	1,90,71,127	1,90,89,144
Food and Beverage Stock - At Cost	41,42,611	50,92,055
Stores and Spares - At Cost	61,21,636	60,95,551
Work in Progress - At Cost *	19,29,375	3,37,16,466
	3,37,16,466	3,84,12,587

* Includes material at site Rs. 19,29,375/- Previous Year Rs. 33,97,815/-

7. INVESTMENTS (At Cost)
UNQUOTED - LONG TERM

a) Subsidiary companies* :

Manesar Estates Limited	—	1,200
120 Equity Shares of Rs. 10/- each, fully paid	—	1,200
Ganganji Estates Limited	—	1,200
120 Equity Shares of Rs. 10/- each, fully paid	—	1,200
Aravali Golf Estates Limited	—	50,200
5,020 Equity Shares of Rs. 10/- each, fully paid	—	50,200
Oasis Golf Estates Limited	—	50,200
5,020 Equity Shares of Rs. 10/- each, fully paid	—	50,200
Kota Estates Limited	—	50,020
5,002 Equity Shares of Rs. 10/- each, fully paid	—	50,020
B. J. Estates Limited	—	50,200
5,020 Equity Shares of Rs. 10/- each, fully paid	—	50,200
B. L. Estates Limited	—	50,200
5,020 Equity Shares of Rs. 10/- each, fully paid	—	50,200
V. P. Estates Limited	—	50,200
5,020 Equity Shares of Rs. 10/- each, fully paid	—	50,200

9. SUNDRY DEBTORS

(Unsecured - Considered Good)		
Debts outstanding for a period exceeding six months	2,36,220	5,13,326
Other Debts	71,96,885	3,17,45,227
	74,33,105	3,22,58,553
(Unsecured - Considered Doubtful)		
Debts for a period exceeding six months	59,097	1,54,606
	74,92,202	3,24,13,159
Less : Provision for doubtful debts	59,097	1,54,606
	74,33,105	3,22,58,553

LANDBASE INDIA LIMITED

SCHEDULES TO THE BALANCE SHEET (Contd.)

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)	For the year ended 31st March, 2001 (Rs.)	For the year ended 31st March, 2000 (Rs.)
10. CASH AND BANK BALANCES				
Cash and Cheques on hand	16,84,480	1,51,93,615		
With Scheduled Banks				
- in Current Accounts	4,38,56,913	1,39,48,331		
- in Dividend Account (Including interest)	292	—		
- in Fixed Deposits *	1,79,967	1,54,40,775		
- Margin money deposit	2,28,508	2,32,024		
	<u>4,59,50,160</u>	<u>4,48,14,745</u>		
*[Including Rs. Nil (Previous Year Rs. 1,50,00,000) pledged with Bank]				
11. OTHER CURRENT ASSETS				
(Unsecured - Considered Good)				
Interest Accrued on				
Fixed Deposits/Others	27,62,515	1,77,02,907		
	<u>27,62,515</u>	<u>1,77,02,907</u>		
12. LOANS AND ADVANCES				
(Unsecured, considered good)				
Loans to Subsidiaries*	—	20,13,45,174		
Advances recoverable in cash				
or in kind or for value to				
be received				
Considered good	2,85,96,352	3,23,39,280		
Considered doubtful	36,68,318	16,15,366		
	<u>3,22,64,670</u>	<u>3,39,54,646</u>		
Less : Provision for				
doubtful advances	36,68,318	2,85,96,352		
Security Deposits	81,23,919	81,94,057		
Advance Tax (Net of Provision)	9,62,538	6,94,282		
	<u>3,76,82,809</u>	<u>24,25,72,793</u>		
* The Subsidiary Companies have been amalgamated with the Company (Refer Note 1 of Schedule 20)				
13. CURRENT LIABILITIES				
Sundry Creditors				
- Due to Small Scale Industries	—	—		
- Others	50,95,83,742	51,80,66,883		
Other Liabilities	1,18,41,033	71,22,206		
Unclaimed Dividend	292	255		
Payments received against				
Golf Membership	3,99,10,503	3,85,67,155		
Payments received under agreement to sell *	44,00,00,000	—		
* Secured by mortgage of land of the Company				
	<u>1,00,13,35,570</u>	<u>56,37,56,499</u>		
14. PROVISIONS				
Provision for Leave Encashment	5,34,216	4,05,207		
Provision for Gratuity	14,42,778	13,48,662		
	<u>19,76,994</u>	<u>17,53,869</u>		
SCHEDULES TO THE PROFIT & LOSS ACCOUNT				
15. INCOME FROM OPERATIONS				
Membership Fee	2,60,92,270	2,48,41,510		
Food and Beverage	1,09,44,276	87,01,487		
Sale of Merchandising Items	37,37,082	43,50,457		
Caddie Rental	30,20,075	25,62,225		
Cart Rental	38,39,850	37,05,468		
Green Fee	90,43,071	78,41,718		
Health Club and Other Facilities	9,63,352	9,40,703		
Tent Income	27,84,795	25,17,482		
Sponsorship Income	10,50,000	19,00,000		
Management Fee	42,10,000	46,56,833		
	<u>6,56,84,771</u>	<u>6,20,17,883</u>		
16. OTHER INCOME				
Interest received				
- On Fixed Deposits*	10,19,842	15,47,461		
- Others*	28,96,380	1,44,90,702		
Foreign Exchange Fluctuation	533	22,181		
Miscellaneous Receipts	1,45,47,149	95,55,632		
*(Tax deducted at source Rs. 4,54,224/-)				
Previous year Rs. 602,230/-)				
	<u>1,84,63,904</u>	<u>2,56,15,976</u>		
17. RAW MATERIALS, MERCHANDISING, ETC. CONSUMED AND EXPENDITURE INCURRED ON CONSTRUCTION				
1) Raw Material				
Opening Stock	50,92,055	36,89,423		
Add : Purchases	52,44,475	63,57,216		
	<u>1,03,36,530</u>	<u>1,00,46,639</u>		
Less : Closing Stock	41,42,611	61,93,919		
		<u>50,92,055</u>		<u>49,54,584</u>
2) Merchandising				
Opening Stock	31,98,645	21,16,388		
Add : Purchases	17,41,438	37,28,972		
	<u>49,40,083</u>	<u>58,45,360</u>		
Less : Closing Stock	24,51,717	24,88,366		
		<u>31,98,645</u>		<u>26,46,715</u>
3) Work in Progress				
Opening Balances	49,55,209	12,09,28,138		
Add : Expenses during the year				
Construction and				
Development Expenses	7,36,99,415	20,60,85,483		
Salaries, Wages and Bonus	32,14,519	57,68,692		
Contribution to Provident				
and Other Funds	1,73,813	5,37,860		
Welfare Expenses	7,06,783	11,74,558		
Rent	—	12,91,160		
Rates and Taxes	20,32,962	20,66,075		
Travelling and Conveyance	9,73,109	19,83,416		
Vehicle Maintenance	5,71,070	24,15,399		
Communication Expenses	4,42,745	7,98,784		
Electricity and Water Expenses	99,345	9,83,544		
Insurance	13,653	3,98,860		
Repair and Maintenance				
- Others	2,98,459	8,69,781		
Business Promotion	1,68,374	6,61,902		
Printing and Stationery	1,27,633	10,29,670		
Legal and Professional Charges	90,46,919	1,19,04,770		
Advertisement and Publicity	—	98,339		
Lease Rental/Hire Charges	83,04,405	15,37,453		
Brokerage & Commission	11,16,026	13,30,006		
External Development Charges	—	3,97,40,938		
Rebate	2,89,209	91,00,698		
Depreciation	1,93,665	7,80,599		
Miscellaneous Expenses	1,87,03,295	15,06,292		
	<u>12,51,30,608</u>	<u>41,29,92,417</u>		
Less : Closing Balance	19,29,375	12,32,01,233		
		<u>13,18,83,518</u>		<u>40,80,37,208</u>
18. FINANCIAL EXPENSES				
Interest Paid				
- To Banks				
- On Term Loans	4,44,76,362	4,88,69,252		
- On Others	15,37,468	4,60,13,830		
- To Others*		4,25,16,262		
		<u>8,85,30,092</u>		<u>5,01,99,559</u>
*Includes interest amounting to Rs. 61,11,162/- pertaining to Previous years.				
19. OPERATING AND ADMINISTRATIVE EXPENSES				
Salaries, Wages and Bonus	2,17,47,085	2,01,09,140		
Contribution to Provident				
and Other Funds	15,76,682	11,83,966		
Welfare Expenses	52,16,518	2,85,40,285		
Rent		48,32,900		
Rates and Taxes		11,68,313		
Travelling and Conveyance		57,09,830		
Vehicle Maintenance		33,43,715		
Communication Expenses		25,18,018		
Electricity and Water Expenses		86,78,316		
Consumption of Stores and Spares		7,29,126		
Insurance		11,74,874		
Repair and Maintenance				
- Building	3,60,527	4,95,367		
- Plant and Machinery	55,24,675	10,94,337		
- Others	37,00,360	95,85,562		
Course Maintenance		96,05,514		
Business Promotion		16,21,684		
Printing and Stationery		25,68,984		
Auditors' Remuneration				
- Audit Fee	4,00,000	300,000		
- Tax Audit Fee	35,000	35,000		
- Out of Pocket Expenses	13,250	5,750		
Legal and Professional Charges		37,05,003		
Advertisement and Sales Promotion		6,357		
Hire Charges		48,83,935		
Lease Rentals		65,51,086		
Club Promotion Expenses		4,44,268		
Provision for diminution				
in value of Investment		—		
Bad Debts written off		1,54,073		
Provision for Doubtful Debts/Advances		37,27,415		
Sundry Balances written off		77,68,063		
Loss on Sale of Fixed Assets		36,56,620		
Preliminary Expenses written off		23,840		
Miscellaneous Expenses		46,89,657		
		<u>11,61,35,688</u>		<u>9,14,71,037</u>

SCHEDULES TO THE PROFIT & LOSS ACCOUNT (Contd.)

20. NOTES TO ACCOUNTS

- I. During the year under review, eight subsidiaries of the Company were amalgamated with the Company, with effect from 1st April, 2000, vide the order dated 29th March, 2001 of the Hon'ble High Court of Delhi. The respective figures of the subsidiaries have been grouped under respective heads. Since the current year figures include the operations of eight subsidiaries, the previous year figures are not comparable.
- II. Estimated amount of Contracts remaining to be executed on capital account and not provided for, Rs. NIL (Previous Year Rs. NIL).
- III. Claim against the Company not acknowledged as debts, Rs. 3,74,606/- (Previous Year, Rs. 15,82,61,118/-)
- IV. Bank Guarantee given to Government Authorities, Rs. 2,28,508/- (Previous Year, Rs. 2,28,508/-)
- V. Current liabilities include the following :
- Rs. 44 crores received as advance against agreement to sell in respect of 5 lakh sq.ft. of space rights in the Company's golf course, subject to certain procedural approvals which are in the process of being obtained. Upon implementation of this agreement to sell, along with further land development, significant profits are expected to be realised.
 - Approximately Rs. 33 crores being deposits received from individuals towards golf memberships. These represent long term tradeable memberships which, given the high brand equity of the Company's international class golf course, are unlikely to be surrendered in the near term.

VI. Income from :

	Current Year (Rs.)	Previous Year (Rs.)
Food and Beverage	1,09,44,276	87,01,487
Membership Fee	2,60,92,270	2,48,41,510
Sale of Merchandising	37,37,082	43,50,457
Caddie Rentals	30,20,075	25,62,225
Cart Rentals	38,39,850	37,05,468
Green Fees	90,43,071	78,41,718
Health Club & Other Facilities	9,63,352	9,40,703
Income from Tents	27,84,795	25,17,482
Management Fees	42,10,000	46,56,833
Sponsorship Income	10,50,000	19,00,000

VII) 1) CIF Value of Imports :

	Current Year (Rs.)	Previous Year (Rs.)
Capital Goods	NIL	8,74,781
Stores and Spares	5,74,152	13,64,995

2) Value of consumption of Raw Material and Stores and Spares :

	Current Year (Rs.)	Percentage	Previous Year (Rs.)	Percentage
a) Raw Material - Food & Beverage				
Imported	NIL	---	NIL	---
Indigenous	61,93,919	100	49,54,585	100
	61,93,919	100	49,54,585	100
b) Stores and Spares				
Imported	NIL	---	NIL	---
Indigenous	7,29,126	100	9,16,679	100
	7,29,126	100	9,16,679	100

VIII) Quantitative Details of Merchandising Stock :

	Current Year Unit	(Rs.)	Previous Year Unit	(Rs.)
a) Opening Stock				
Golf Equipments	378	8,65,531	318	8,80,052
Golf Apparels etc.	63,156	23,33,114	10,091	12,36,336
b) Purchases				
Golf Equipments	12	17,597	161	4,28,265
Golf Apparels etc.	12,303	17,23,841	72,031	33,00,707
c) Turnover				
Golf Equipments	28	93,123	101	4,42,786
Golf Apparels etc.	19,769	23,95,243	18,966	22,03,929
d) Closing Stock				
Golf Equipments	362	7,90,005	378	8,65,531
Golf Apparels etc.	55,690	16,61,712	63,156	23,33,114

IX. Earnings in Foreign Currency - Rs. 2,76,15,201/-
(Previous Year - Rs. 6,84,52,624/-)

X. Expenditure in Foreign Currency :

	Current Year (Rs.)	Previous Year (Rs.)
Technical Know-how	94,568	57,86,802
Foreign Travel	3,28,511	1,49,255
Consultancy Fees	5,58,823	7,07,102
Stores and Spares	5,74,152	13,64,995

XI. Managing Director's Remuneration :

Salary including Bonus	8,40,000	5,00,404
Other Benefits / Perquisites	6,12,260	2,75,200
Contribution to PF and Other Funds	79,200	53,168

21. SIGNIFICANT ACCOUNTING POLICIES

i) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

To prepare financial statements in accordance with the historical cost convention, generally accepted accounting principles and relevant presentational requirements of the Companies Act, 1956.

ii) FIXED ASSETS

To state Fixed Assets at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses relating to acquisition. In respect of major projects involving construction, related project and pre-operational expenses form part of the value of assets capitalised.

iii) DEPRECIATION

To provide depreciation in respect of Assets on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956, except for Golf Carts (@ 20%), Tented Accommodation (@ 50%) and Vehicular Roads (@ 20%) which are being depreciated over the life of the Asset.

iv) INVENTORIES

To value Inventories at cost except for Merchandising stock which are valued at cost or realisable market value, whichever is less. Work in Progress is valued at cost which includes all direct and indirect attributable expenses. Cost includes freight and other related incidental expenses.

v) RETIREMENT BENEFITS

To make regular contributions to Statutory Provident and Pension Funds which are charged to revenue. Gratuity and leave encashment is provided on actual liability to the Company.

vi) FOREIGN CURRENCY TRANSACTIONS

To record transaction in foreign currencies at the exchange rate prevailing on the date of the transaction. Payments made in foreign currencies at the exchange rate prevailing on the day of remittance. Liability / Receivables on account of foreign currency are converted at the exchange rates prevailing at the end of the year. Exchange differences are appropriately dealt within the Profit and Loss Account, except those relating to fixed assets which are capitalised.

vii) REVENUE RECOGNITION

- The revenue of account of sale of land and constructed apartments thereon is accounted for on the basis of percentage completion method on account of agreement to sell entered into with the customers and as certified by Technical Management / Architects of the Company. The profit/loss so derived is based on the total project cost which is inclusive of all estimated costs, contingencies and escalations.
- i) Corporate membership fee is accounted for over the period of membership.
ii) Entrance fees is accounted for in the year of receipt.
- Sale of merchandising items are recognised at the time of raising relevant invoices.

viii) INVESTMENTS

Long term investments are stated at Cost. Where applicable, provision is made where there is a permanent diminution in the valuation of investments.

On behalf of the Board

Pradeep Jain Managing Director
M. Riaz Ahmed Director
Vibhor Verma Company Secretary

New Delhi, 22nd May, 2001

INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. State Code
Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue
Rights Issue
Bonus Issue
Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities
Total Assets
Sources of Funds :
Paid up Capital
Reserves & Surplus
Secured Loans
Unsecured Loans

Application of Funds :

Net Fixed Assets*
Investments
*including project expenditure pending for allocation

Net Current Assets
Misc. Expenditure
Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover*
Total Expenditure
*includes other income
Profit/Loss before Tax**
Profit/Loss after Tax**
**Please tick the Appropriate box + Profit - Loss

Earning per Share in Rs.
Dividend Rate %

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)
Product Description

RUSSELL CREDIT LIMITED

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001

1. The Directors hereby submit their Report and Accounts for the financial year ended 31st March, 2001.

2. PERFORMANCE OF THE COMPANY

There was no change in the strategic direction of the business of the Company during the year under review.

The financial results, summarised, are as under:

The net profit for the financial year ended 31st March, 2001, after deducting all charges and expenses and providing for taxation amounts to	Rs.	7,12,86,963/-
to which profit brought forward from last year is added	Rs.	18,75,18,823/-
making a balance of	Rs.	25,88,05,786/-

which the Directors recommend be carried forward in view of the current business plans of the Company.

3. DIRECTORS

Mr. Davangere Prahladarao Naganand resigned as Director of the Company with effect from 30th April, 2000. Mr. Biswadev Mitter resigned as Chairman and Director of the Company with effect from 16th February, 2001, in view of his imminent retirement from I.T.C. Limited, the Holding Company.

The Directors would like to record their appreciation of the services rendered by the aforesaid Directors.

Mr. Rajiv Tandon was appointed by the Board of Directors as Additional Director of the Company with effect from 18th September, 2000. Mr. Krishnamoorthy Vaidyanath was appointed by the Board of Directors as Additional Director of the Company with effect from 14th February, 2001, and Chairman of the Board of Directors with effect from 22nd February, 2001. By virtue of the provisions of Section 260 of the Companies Act, 1956, M/s Rajiv Tandon and Krishnamoorthy Vaidyanath will vacate office at the forthcoming Annual General Meeting of the Company and have filed their consent to act as Directors of the Company, if appointed. Notices have been received for their appointment as Directors from the Members of the Company under Section 257 of the Companies Act, 1956.

In accordance with the provisions of Section 256 of the Companies Act, 1956, Mr. Prodipto Banerjee will retire by rotation at the forthcoming Annual General Meeting, and being eligible, offers himself for re-appointment.

4. DIRECTORS' RESPONSIBILITY STATEMENT

As per the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors state:-

- that in the preparation of the Annual Accounts for the year ended 31st March, 2001, the applicable Accounting Standards have been followed and there are no material departures;
- that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2001, and the profit of the Company for that period;

iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) that the Directors have prepared the Annual Accounts for the year ended 31st March, 2001, on a going concern basis.

5. COUNTER OFFER TO THE SHAREHOLDERS OF VST INDUSTRIES LIMITED

In line with the Company's objective of making strategic investments in specific sectors, the Company made a Counter Offer @ Rs. 115/- per equity share payable fully in cash for acquiring 30,88,384 equity shares of Rs. 10/- each representing 20% of the ordinary equity share capital of VST Industries Limited, in compliance with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. This Counter Offer was made as a competitive bid pursuant to a Public Offer made by an Acquirer for a similar number of shares @ Rs. 112/- per equity share payable fully in cash.

6. AUDIT COMMITTEE

In accordance with the provisions of Section 292A of the Companies Act, 1956, an Audit Committee was constituted, comprising of M/s K. Vaidyanath, B.B. Chatterjee and S. Bandyopadhyay, Directors of the Company as Members and Ms. J. Guha, Manager and Secretary of the Company as Permanent Invitee and Secretary of the Committee.

7. SUBSIDIARY

Particulars as required under Section 212 of the Companies Act, 1956, in respect of Greenacre Holdings Limited, a wholly owned subsidiary of the Company, has been annexed to the accounts of the Company.

8. PARTICULARS OF EMPLOYEES

None of the employees are covered by the provisions contained in Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

9. AUDITORS

The existing Auditors, M/s Basu, Chatterjee & Co., Chartered Accountants, who retire at the forthcoming Annual General Meeting, have expressed their inability to offer themselves for re-appointment at the forthcoming Annual General Meeting of the Company.

It is proposed that M/s S.B. Billimoria & Co., Chartered Accountants, who have confirmed their eligibility under Section 224 of the Companies Act, 1956, be appointed as Auditors of the Company at the forthcoming Annual General Meeting.

10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Considering the nature of business of the Company, no comment is made on conservation of energy and technology absorption. There has been no foreign exchange income or outflow during the year under review.

On behalf of the Board

P. Banerjee Director

S. Bandyopadhyay Director

Kolkata, 17th April, 2001

AUDITORS' REPORT TO THE MEMBERS OF RUSSELL CREDIT LIMITED

We have audited the attached Balance Sheet of Russell Credit Limited as at 31st March, 2001 and also the relative Profit and Loss Account for the year ended on that date, which are in agreement with the books of account. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account together with the Schedules, give in the prescribed manner, the information required by the Companies Act, 1956 and also give respectively a true and fair view of the state of the Company's affairs as at 31st March, 2001 and its profit for the year ended on that date.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit and in our opinion, proper books of account have been kept by the Company as required by law so far as appears from our examination of those books.

In our opinion, the Balance Sheet as at 31st March, 2001 and the Profit and Loss Account for the year ended on that date comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.

On the basis of the written representations received from the Directors as on 31st March, 2001 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2001 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 and on the basis of such examination of the books and records of the Company as we considered appropriate and according to the information and explanations given to us during the course of our audit, we further report that:

- The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company including leased assets have been physically verified by the management at reasonable intervals and no discrepancies were noticed during the verification.
- None of the fixed assets of the Company have been revalued during the year.
- The stock-in-trade i.e., stock of shares, debentures and other securities have been physically verified by the management at reasonable intervals and no discrepancies have been noticed on such verification. In our opinion, the valuation of such stock-in-trade has been fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.
- The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The provisions of Section 370 of the Companies Act, 1956 are not applicable to a company on and from 31st October, 1998.
- The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The provisions of

Section 370 of the Companies Act, 1956 are not applicable to a company on and from 31st October, 1998.

f) In respect of loans and advances in the nature of loans given by the Company, the parties are generally repaying the principal amounts stipulated and have also been regular in the payment of interest where applicable.

g) The Company is dealing in shares and securities and proper records have been maintained and timely entries have been made therein of the transactions and contracts entered into during the year. The Company is holding the securities in its own name.

h) There is adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of assets.

i) The Company has an internal audit system commensurate with its size and the nature of its business.

j) There were no undisputed amounts outstanding as at 31st March, 2001 in respect of Income Tax, Sales Tax, Customs Duty and Excise Duty which were due for more than six months from the date they became payable.

k) According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to the Profit & Loss Account.

l) The Company is not an industrial company and hence the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 is not applicable to the Company.

m) The other items of the aforesaid Order are, in our opinion, not applicable in the case of this Company.

As required by the 'Non Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 1998', we further state that we have submitted a Report to the Board of Directors of the Company containing a statement on the matters of supervisory concern to the Reserve Bank of India as specified in the said Directions, namely the following:-

- The Company, incorporated prior to January 9, 1997, had applied for registration as provided in Section 451A of the Reserve Bank of India Act, 1934 (2 of 1934), and has not received any communication from the Reserve Bank of India, about the grant or refusal of Certificate of Registration, as on date.
- The Board of Directors of the Company has passed a Resolution for non-acceptance of any public deposits.
- The Company has not accepted any public deposits during the year under reference.
- The Company has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning of bad and doubtful debts as applicable to it.

For Basu, Chatterjee & Co.,

Chartered Accountants

Sourabh Chakravarti

Partner

Kolkata, 17th April, 2001

BALANCE SHEET AS AT 31ST MARCH, 2001

(Figures for the previous year have been rearranged to conform with revised presentation)

SCHEDULE		(Rs.)	31st March, 2001	(Rs.)	(Rs.)	31st March, 2000	(Rs.)
I. SOURCES OF FUNDS							
1. Shareholders' Funds							
a) Share Capital	1	6,46,47,87,370			6,46,47,87,370		
b) Reserves and Surplus	2	28,75,73,231	6,75,23,60,601		21,62,86,268	6,68,10,73,638	
2. Loan Funds							
Unsecured Loans	3		74,12,00,000			56,07,25,000	
TOTAL			7,49,35,60,601			7,24,17,98,638	
II. APPLICATION OF FUNDS							
1. Fixed Assets	4	2,21,54,694			2,21,54,694		
Less : Depreciation		2,21,51,273		3,421	1,82,57,710		
2. Investments at Cost	5		6,46,21,25,045			38,96,984	6,23,65,66,475
3. Current Assets, Loans and Advances	6						
a) Current Assets		46,81,84,626			42,55,05,444		
b) Loans and Advances							
(Unsecured-Considered Good)							
Loans		48,09,00,000			90,50,00,000		
Advances		11,00,000					
Advance Payment of Income Tax (net of provision)		8,48,78,223			7,64,70,604		
		1,03,50,62,849			1,40,69,76,048		
Less : Current Liabilities & Provisions	7	1,04,58,157			41,33,33,201		
Net Current Assets			1,02,46,04,692			99,36,42,847	
4. Miscellaneous Expenditure							
As per last Accounts		76,92,332			5,93,821		
Add: Expenses during the year					79,63,400		
		76,92,332			85,57,221		
Less : Written Off		8,64,889		68,27,443	8,64,889		76,92,332
TOTAL			7,49,35,60,601			7,24,17,98,638	

Notes to Accounts (Schedule - 14)

The Schedules referred to above form an integral part of the Balance Sheet. This is the Balance Sheet referred to in our Report of even date.

For Basu, Chatterjee & Co.,
Chartered Accountants
Sourabh Chakravarti
Partner
Kolkata, 17th April, 2001

On behalf of the Board

P. Banerjee Director
S. Bandyopadhyay Director
J. Guha Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001
 (Figures for the previous year have been rearranged to conform with revised presentation)

	Schedule		For the year ended 31st March, 2001		For the year ended 31st March, 2000
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
I. INCOME					
Profit/(Loss) on Stock-in-trade	8	1,82,15,110		31,51,788	
Lease Rentals		35,48,371		69,07,035	
Interest Income		17,72,63,184		2,43,90,152	
Dividend Income		76,55,842		1,24,74,074	
Discount Charges on Bills (Received)		28,69,696		64,54,087	
Non-Recurring Income and Expenses (Net)	9	1,63,75,331		19,64,39,887	
Other Income	10	14,53,664		16,33,788	
			22,73,81,198		25,14,50,811
			22,73,81,198		25,14,50,811
II. EXPENDITURE					
Financial Charges and Operating Expenses	11		12,29,46,225		1,82,81,907
Payments to and Provisions for Employees			12,09,646		11,60,551
Establishment Expenses	12		18,42,412		28,78,977
Auditors' Remuneration - Audit Fees		25,000		25,000	
- Other Services		12,500		33,075	
Depreciation			37,500		58,075
Preliminary Expenses Written Off			38,93,563		1,79,29,351
			8,64,889		8,64,889
			13,07,94,235		4,11,73,750
			9,65,86,963		21,02,77,061
III. PROFIT BEFORE TAXATION					
Provision for Taxation			2,53,00,000		2,29,00,000
IV. PROFIT AFTER TAXATION					
Balance Brought Forward From Last Year			7,12,86,963		18,73,77,061
			18,75,18,823		1,41,762
V. BALANCE CARRIED FORWARD			25,88,05,786		18,75,18,823

Notes to Accounts (Schedule - 14)

The Schedules referred to above form an integral part of the Profit and Loss Account. This is the Profit and Loss Account referred to in our Report of even date.

For Basu, Chatterjee & Co.,
Chartered Accountants
Sourabh Chakravarti
Partner
Kolkata, 17th April, 2001

On behalf of the Board

P. Banerjee Director
S. Bandyopadhyay Director
J. Guha Secretary

SCHEDULES TO THE ACCOUNTS
SCHEDULE 1 - SHARE CAPITAL

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
Authorised :		
70,00,00,000 (31-3-2000 - 70,00,00,000)		
Equity Shares of Rs. 10/- each	7,00,00,00,000	7,00,00,00,000
	7,00,00,00,000	7,00,00,00,000
Issued, Subscribed and Paid Up:		
59,74,54,177 (31-3-2000 - 59,74,54,177)		
Equity Shares of Rs. 10/- each, fully paid up		
(Of the above 59,74,04,170 Equity Shares issued for consideration other than cash pursuant to Scheme of Amalgamation sanctioned by High Court at Kolkata)	5,97,45,41,770	5,97,45,41,770
7,54,22,400 (31-3-2000 - 7,54,22,400) Equity Shares of Rs.10/- each, Rs. 6.50 per share called and paid up on application and allotment (Equity Shares issued for consideration other than cash pursuant to Scheme of Amalgamation sanctioned by High Court at Kolkata)	49,02,45,600	49,02,45,600
	6,46,47,87,370	6,46,47,87,370

(All shares are held by the Holding Company I.T.C. Limited)

SCHEDULE 4 - FIXED ASSETS

	Original Cost as at 31st March, 2000 (Rs.)	Additions During the year (Rs.)	Withdrawals During the year (Rs.)	Original Cost as at 31st March, 2001 (Rs.)	Depreciation up to 31st March, 2001 (Rs.)	Net Book Value as at 31st March, 2001 (Rs.)
Plant and Machinery	2,21,54,694	—	—	2,21,54,694	2,21,51,273	3,421
	2,21,54,694	—	—	2,21,54,694	2,21,51,273	3,421
Previous Year	2,21,54,694	—	—	2,21,54,694	1,82,57,710	38,96,984

Notes :

- Plant and Machinery include Rs. 7,140/- (2000 - Rs. 7,140/-) for plant and machinery being used for own purposes.
- In order to comply with the requirements of true and fair disclosure under Section 211 of the Companies Act, 1956, read with Schedule VI thereof and as recommended by the Institute of Chartered Accountants of India, the Company has provided depreciation on Leased Fixed Assets at rates which are different from but not lower than, the rates prescribed in Schedule XIV to the Companies Act, 1956, as amended till date. The depreciation rates applied by the Company ensure that depreciation is provided over the period of the primary lease which corresponds to the useful life of the Leased Fixed Assets to the Company.
- In respect of own asset, depreciation has been charged under Straight Line Method at the rate of 25% per annum.
- As depreciation has been charged at rates higher than the rates prescribed under Schedule XIV to the Companies Act, 1956 as amended till date, the charge for the year is higher by Rs. 34,06,752/- (2000 - Rs. 1,66,69,202/-) and consequently the Profit Before Tax is lower by the same amount.

SCHEDULE 5 - INVESTMENTS AT COST (LONG TERM)

		As at 31st March, 2001		As at 31st March, 2000
A. UNQUOTED	Number	Value (Rs.)	Number	Value (Rs.)
Subsidiary Company				
1. Equity Shares of Rs.10/- each, of Greenacre Holdings Ltd., fully paid up	3,30,60,166	33,10,33,674	3,30,60,166	33,10,33,674
Others				
2. Equity Shares of Rs.10/- each, of Triveni Handlooms Ltd., fully paid up	—	—	34,800	3,48,000
3. Equity Shares of Rs.10/- each, of Russell Investments Ltd., fully paid up	42,75,435	4,27,56,850	42,75,435	4,27,56,850
4. Equity Shares of Rs.10/- each, of Peninsular Investments Ltd., fully paid up	40,64,875	4,06,51,738	40,64,875	4,06,51,738
5. Equity Shares of Rs.10/- each, of Minota Aquatech Ltd., fully paid up	14,80,000	14,80,000	14,80,000	14,80,000

RUSSELL CREDIT LIMITED

SCHEDULES TO THE ACCOUNTS (Contd.)

	As at 31st March, 2001		As at 31st March, 2000	
	Number	Value (Rs.)	Number	Value (Rs.)
6. Equity Shares of Rs.10/- each, of Newdeal Finance and Investment Ltd., fully paid up	28,81,200	2,88,13,440	28,81,200	2,88,13,440
7. Equity Shares of Rs.10/- each, of Megatop Financial Services and Leasing Ltd., fully paid up	31,16,400	3,11,65,440	31,16,400	3,11,65,440
8. Class 'G' Shares of Rs. 48,000/- each, of Lotus Court Pvt. Ltd., fully paid up	2	2,34,00,000	2	2,34,00,000
9. Equity Shares of Rs. 100/- each, of Adyar Property Holding Co. Ltd., partly paid up	311	43,86,50,000	311	43,86,50,000
10. 7% Unsecured Debentures of Rs. 100/- each, in Royal Calcutta Golf Club, fully paid up	1,000	1,01,000	1,000	1,01,000
11. Equity Shares of Rs.10/- each, of Classic Infrastructure & Development Ltd., fully paid up	37,50,000	3,76,88,280	37,50,000	3,76,88,280
12. Equity Shares of Rs.10/- each, of ITC Threadneedle Trustees Ltd., fully paid up	—	—	1,00,000	10,05,000
13. Non Cumulative, Non Participating Non Voting Preference Shares of Rs. 1,00,00,000/- each, of ICICI Ltd., fully paid up	350	3,50,00,00,000	350	3,50,00,00,000
		<u>4,47,57,40,422</u>		<u>4,47,70,93,422</u>
8. QUOTED				
1. Equity Shares of Rs.10/- each, of ITC Hotels Ltd., fully paid up.	2,32,752	1,86,66,969	—	—
2. Equity Shares of Rs.10/- each, of Agro-Tech Foods Ltd., fully paid up.	40,85,800	53,72,82,700	40,85,800	53,72,82,700
3. Equity Shares of Rs.10/- each, of International Travel House Ltd., fully paid up.	36,26,633	21,21,58,031	36,26,633	21,21,58,031
4. Equity Shares of Rs.10/- each, of ITC Bhadrachalam Paperboards Ltd., fully paid up.	1,66,81,703	1,21,82,76,923	1,29,50,236	1,01,00,32,322
		<u>1,98,63,84,623</u>		<u>1,75,94,73,053</u>
		<u>6,46,21,25,045</u>		<u>6,23,65,66,475</u>
Total (A+B)				
Market Value : Quoted - (31-03-2001 - Rs. 1,16,49,95,096/-)				
(31-03-2000 - Rs. 88,19,32,374/-)				

SCHEDULE 6 - CURRENT ASSETS, LOANS AND ADVANCES

	As at 31st March, 2001		As at 31st March, 2000	
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
CURRENT ASSETS				
a) Inventories (Closing Stock-in-Trade) (Schedule - 13)	—	29,24,382	—	38,18,013
b) Sundry Debtors (Unsecured - Considered Good)	—	—	—	—
Over six months old	—	—	—	—
Others	—	—	750	750
c) Cash and Bank Balances	—	—	2,24,00,000	—
i. Cheques in Hand	—	—	—	—
ii. Balance with Scheduled Banks	—	—	—	—
- On Current Account	14,17,625	4,87,178	—	—
- On Deposit Account	36,83,00,000	36,97,17,625	33,90,00,000	36,18,87,178
d) Other Current Assets (Unsecured - Considered Good)	—	—	—	—
i. Fixed Deposit with ICICI Limited	8,95,00,000	5,00,00,000	—	—
ii. Deposit with Others	37,53,000	37,53,000	—	—
iii. Interest Accrued	20,47,821	56,72,965	—	—
iv. Others	2,41,798	9,55,42,619	3,73,538	5,97,99,503
Total		<u>46,81,84,626</u>		<u>42,55,05,444</u>
LOANS (See Note D)				
a) Loans to Subsidiary	—	2,00,00,000	—	2,00,00,000
b) Loans to Others	—	46,09,00,000	—	88,50,00,000
Total		<u>48,09,00,000</u>		<u>90,50,00,000</u>

SCHEDULE 7 - CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2001	As at 31st March, 2000
	(Rs.)	(Rs.)
CURRENT LIABILITIES		
a) Sundry Creditors	44,63,998	38,86,147
b) Lease Rentals received in advance	2,11,250	3,70,363
c) Security Deposits	42,12,641	42,12,641
d) Temporary Overdraft in Current Accounts	—	40,22,79,484
e) Interest Accrued but not due	—	1,92,310
f) Others	12,46,151	22,00,473
	<u>1,01,34,040</u>	<u>41,31,41,418</u>
PROVISIONS		
a) Provision for Gratuity	2,24,117	1,91,783
b) Provision for Leave Encashment	1,00,000	—
	<u>3,24,117</u>	<u>1,91,783</u>
	<u>1,04,58,157</u>	<u>41,33,33,201</u>

SCHEDULE 8 - PROFIT/(LOSS) ON STOCK-IN-TRADE

	For the year ended 31st March, 2001	For the year ended 31st March, 2000
	(Rs.)	(Rs.)
Sale of Stock-in-Trade	88,66,67,261	1,76,07,33,940
Less : Purchases	86,75,58,520	1,56,54,41,915
	<u>1,91,08,741</u>	<u>19,52,92,025</u>
Add/Less : Increase/(Decrease) in Closing Stock-in-Trade	(8,93,631)	(19,21,40,237)
Profit/(Loss) on Stock-in-Trade	<u>1,82,15,110</u>	<u>31,51,788</u>

SCHEDULE 9 - NON-RECURRING INCOME AND EXPENSES (NET)

	For the year ended 31st March, 2001	For the year ended 31st March, 2000
	(Rs.)	(Rs.)
Profit/(Loss) on Sale of Investments	1,38,12,331	22,49,12,769
Recovery of Bad Debts Written Off Earlier	25,63,000	—
	<u>1,63,75,331</u>	<u>22,49,12,769</u>
Less : Bad Debts and Other Write Offs	—	2,84,72,882
	<u>1,63,75,331</u>	<u>19,64,39,887</u>

SCHEDULE 10 - OTHER INCOME

	(Rs.)	(Rs.)
Profit/(Loss) on Disposal of Fixed Assets	—	4,90,809
Miscellaneous Income	14,53,664	11,42,979
	<u>14,53,664</u>	<u>16,33,788</u>

SCHEDULE 11 - FINANCIAL CHARGES AND OPERATING EXPENSES

	(Rs.)	(Rs.)
Interest	12,19,65,615	1,22,48,951
Loss/(Gain) on Foreign Currency Loan	—	1,68,750
Bank, Custodial and Depository Charges	2,75,708	4,50,819
Professional Fees	7,04,902	53,85,370
Brokerage	—	1,667
Stamp Duty	—	26,350
	<u>12,29,46,225</u>	<u>1,82,81,907</u>

SCHEDULE 12 - ESTABLISHMENT EXPENSES

	(Rs.)	(Rs.)
Rent and Maintenance	83,574	81,158
Travelling and Conveyance	6,71,575	8,64,019
Filing Fees	8,000	14,240
Rates and Taxes	2,59,384	7,19,011
Communication Expenses	1,78,934	3,22,630
Printing, Stationery and Periodicals	54,111	1,15,037
Miscellaneous	5,86,834	7,62,882
	<u>18,42,412</u>	<u>28,78,977</u>

SCHEDULES TO THE ACCOUNTS (Contd.)

SCHEDULE 13 – DETAILS OF CLOSING STOCK OF SECURITIES HELD AS STOCK-IN-TRADE

COMPANY	As at 31st March, 2001		As at 31st March, 2000	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)
Equity Shares of Rs. 10/- each, fully paid up				
Anusuya Spinners Ltd.	—	—	44,500	44,500
Mark Auto India Ltd.	40,000	40,000	40,000	40,000
Pioneer Investcorp Ltd.	—	—	53,800	53,800
SMIFS Capital Markets Ltd.	—	—	25,000	25,000
Ambika Cotton Mills Ltd.	—	—	1,65,833	1,65,833
Khemka Containers Ltd.	1,17,400	4,34,380	1,17,400	4,34,380
Patheja Brothers Forgings And Stampings Ltd.	50,000	1	50,000	50,000
Jind Textiles Ltd.	5,00,000	1	5,00,000	5,00,000
Taib Capital Corporation Ltd.	2,45,000	24,50,000	2,45,000	24,50,000
Paam Drugs & Pharmaceuticals Ltd.	—	—	1,00,000	35,000
Orient Beverages Ltd.	—	—	19,500	19,500
Total	9,52,400	29,24,382	13,61,033	38,18,013

SCHEDULE 14 – NOTES TO ACCOUNTS

A. PARTICULARS IN RESPECT OF OPENING STOCK, PURCHASES, SALES AND CLOSING STOCK OF SECURITIES HELD AS STOCK-IN-TRADE

	31st March, 2001	Number 31st March, 2000	31st March, 2001	Value (Rs.) 31st March, 2000
OPENING STOCK				
Equity Shares (Face Value of Rs. 10/- each, fully paid up)	13,61,033	22,38,209	38,18,013	2,49,86,621
Units (Face Value of Rs. 10/- each, fully paid up)	—	1,50,000	—	9,40,500
Unsecured Bonds in the nature of Debentures (Face Value of Rs. 1,00,000/- each, fully paid up)	—	1,500	—	15,02,27,000
Bonds (Face Value of Rs. 1,00,000/- each, fully paid up)	—	200	—	1,98,04,129
			38,18,013	19,59,58,250
PURCHASES				
Equity Shares (Face Value of Rs. 10/- each, fully paid up)	—	6,700	—	82,68,105
Units (Face Value of Rs. 10/- each, fully paid up)	—	13,07,200	—	2,00,00,160
Secured Non-convertible Debentures (Face Value of Rs. 1,00,00,000/- each, fully paid up)	—	12	—	12,01,30,000
Others (Face Value of Rs. 1,00,00,000/- each, fully paid up)	—	—	86,75,58,520	1,41,70,43,650
			86,75,58,520	1,56,54,41,915
SALES				
Equity Shares (Face Value of Rs. 10/- each, fully paid up)	4,08,633	8,83,876	55,67,261	2,33,83,490
Units (Face Value of Rs. 10/- each, fully paid up)	—	14,57,200	—	1,84,26,540
Unsecured Bonds in the nature of Debentures (Face Value of Rs. 1,00,000/- each, fully paid up)	—	1,500	—	15,00,00,000
Secured Non-convertible Debentures (Face Value of Rs. 1,00,00,000/- each, fully paid up)	—	12	—	12,00,00,000
Bonds (Face Value of Rs. 1,00,000/- each, fully paid up)	—	200	—	1,98,04,120
Others (Face Value of Rs. 1,00,00,000/- each, fully paid up)	—	—	88,11,00,000	1,42,91,19,790
			88,66,67,261	1,76,07,33,940
CLOSING STOCK				
Equity Shares (Face Value of Rs. 10/- each, fully paid up)	9,52,400	13,61,033	29,24,382	38,18,013
			29,24,382	38,18,013

B. The Company has made a Counter Offer @ Rs. 115/- per equity share payable fully in cash for acquiring 30,88,384 equity shares of Rs. 10/- each representing 20% of the outstanding equity share capital of VST Industries Limited, in compliance with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, ("Regulations") as a competitive bid pursuant to a Public Offer made by an Acquirer for a similar number of shares @ Rs. 112/- per equity share, payable fully in cash. The Company has deposited in an Escrow Account with ABN Amro Bank, N.V., a sum of Rs. 9,00,00,000/- in accordance with the Regulations in this regard.

C. Uncalled liability on account of investments in partly paid up shares of Adyar Property Holding Co. Ltd., is Rs. 10,885/- (2000 - Rs. 10,885/-).

D. Loans include Rs. Nil (2000 - Rs. 88,50,00,000/-) to M/s. ITC Bhadrachalam Paperboards Limited and Rs. 2,00,00,000/- (2000 - Rs. 2,00,00,000/-) to M/s Greenacre Holdings Limited. The maximum amount due during the year from M/s. ITC Bhadrachalam Paperboards Limited was Rs. 2,38,50,00,000/- (2000 - Rs. 88,50,00,000/-) and from Greenacre Holdings Limited was Rs. 2,00,00,000/- (2000 - Rs. 2,00,00,000/-).

E. The income from interest and other income are stated gross. The amount of income tax deducted thereon is Rs. 3,91,13,779/- (2000 - Rs. 43,83,142/-).

F. Managerial Remuneration:

	31/03/2001 (Rs.)	31/03/2000 (Rs.)
Salaries	6,04,120/-	2,53,518/-
Other Benefits	1,254/-	514/-
	6,05,374/-	2,54,032/-

G. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting - The Financial Statements are prepared on Accrual Basis under the Historic Cost Convention.
2. Fixed Assets - Fixed Assets are stated at cost including any incidental acquisition expenses. Depreciation is provided on Capital Recovery Method for Leased Assets as recommended by the Institute of Chartered Accountants of India and on own assets at appropriate rates so as to amortise the cost of the asset over their estimated useful life.
3. Investments - Investments are stated at cost. However, suitable provisions are considered for permanent diminution in value of investments, if any. Income from Investments is included together with the related tax credit in the Profit and Loss Account.
4. Stock-in-Trade - To comply with the Prudential Norms prescribed by the Reserve Bank of India for Non-Banking Financial Companies, stock-in-trade has been valued at cost or at available market quotation or their fair values, whichever is lower, scrip wise.
5. Foreign Currency Liabilities - Foreign Currency Liabilities are restated at the rates ruling at the year end and all exchange gains/losses arising therefrom are adjusted in the Profit and Loss Account except for those covered by forward contract rates where the gains/losses arising from such restatement are recognised over the period of such contracts.
6. Borrowing Costs - Interest and other costs incurred by the Company in connection with the borrowing of funds are recognised as an expense in the period in which they are incurred unless activities that are necessary to prepare the qualifying asset for its intended use or sale are in progress.

SCHEDULES TO THE ACCOUNTS (Contd.)

7. Gratuity is provided for employees based on half month's salary for every year of service or part thereof.
8. Lease Rentals - Lease Rentals are being accounted for on an accrual basis except in case of Lessees in default where accrual is guided by RBI Prudential Norms.
9. Miscellaneous Expenditure - Miscellaneous Expenditure have been amortised over a period of ten years.

H. Other Additional Information : Not Applicable.

For Basu, Chatterjea & Co.,
Chartered Accountants

Sourabh Chakravarti
Partner
Kolkata, 17th April, 2001

On behalf of the Board

P. Banerjee
S. Bandyopadhyay
J. Guha
Director
Director
Secretary

STATEMENT REGARDING SUBSIDIARY COMPANY

Pursuant to Section 212 (1) and (3) of the Companies Act, 1956

GREENCARE HOLDINGS LIMITED

- (a) Holding Company's Interest :
Entire issued share capital of 3,30,60,166 Equity Shares of Rs. 10/- each, fully paid up
- (b) Net aggregate amount of Subsidiary's profits/(losses) not dealt with in the Holding Company's Accounts :

	Rs.
i) For the subsidiary's financial year ended 31st March, 2001	20,93,382/-
ii) For its previous financial years	1,82,37,620/-
	<u>2,03,31,002/-</u>

- (c) Net aggregate amount of Subsidiary's profits/(losses) dealt with in the Holding Company's Accounts

i) For the subsidiary's financial year ended 31st March, 2001	Nil
ii) For its previous financial years	Nil

On behalf of the Board

P. Banerjee
S. Bandyopadhyay
J. Guha
Director
Director
Secretary

Kolkata, 17th April, 2001

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. 61684 of 1994 State Code 21

Balance Sheet Date 31 03 01
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue NIL Rights Issue NIL

Bonus Issue NIL Private Placement NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities 7493560 Total Assets 7493560

Sources of Funds

Paid up Capital 6464787 # Reserves & Surplus 287573

Includes 59,74,04,170 Equity Shares of Rs. 10/- each, fully paid up, and 7,54,22,400 Equity Shares of Rs. 10/- each, partly paid up, issued on Amalgamation.

Secured Loans NIL Unsecured Loans 741200

Application of Funds

Net Fixed Assets 3 Investments 6462125

Net Current Assets 1024605 Misc. Expenditure 6827

Accumulated Losses NIL

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Net)* 227381 Total Expenditure 130794

*Includes Other Income

Profit/Loss before Tax 96587 Profit/Loss after Tax 71287

(Please tick Appropriate box + for Profit, - for Loss)

Earning per Share in Rs. 0.11 Dividend Rate % NIL

V. Generic Names of Three Principal Services of Company

- | | |
|---------------------|-------------------|
| Item Code No. | - Not Applicable |
| Service Description | - Investments |
| | - Lending |
| | - Asset Financing |

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001

- The Directors hereby submit their Report and Accounts for the financial year ended 31st March, 2001.

2. FINANCIAL RESULTS OF THE COMPANY

The net profit for the financial year ended 31st March, 2001, after deducting all charges and expenses and providing for taxation amounts to

	Rs. 20,93,382/-
to which profit brought forward from last year is added	Rs. 1,11,54,775/-
making a balance of	Rs. 1,32,48,157/-

which the Directors recommend be carried forward.

3. DIRECTORS

Mr. Davangere Prahladarao Naganand resigned as Director of the Company with effect from 30th April, 2000. Mr. Biswadev Mitter resigned as Chairman and Director of the Company with effect from 7th March, 2001, consequent upon his retirement from I.T.C. Limited.

The Directors would like to record their appreciation of the services rendered by the aforesaid Directors.

Mr. Krishnamoorthy Vaidyanath was appointed by the Board of Directors as Additional Director of the Company with effect from 14th February, 2001, and Chairman of the Board of Directors with effect from 17th April, 2001. By virtue of the provisions of Section 260 of the Companies Act, 1956, Mr. Vaidyanath will vacate office at the forthcoming Annual General Meeting of the Company and has filed his consent to act as Director of the Company, if appointed. Notice has been received for his appointment as Director from a Member of the Company under Section 257 of the Companies Act, 1956.

In accordance with Section 256 of the Companies Act, 1956, M/s. Rajiv Tandon and Balraj Nath Malhotra will retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

4. DIRECTORS' RESPONSIBILITY STATEMENT

As per the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors state :-

- that in the preparation of the Annual Accounts for the year ended 31st March, 2001, the applicable Accounting Standards have been followed and there are no material departures;

- that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2001, and the profit of the Company for that period;
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors have prepared the Annual Accounts for the year ended 31st March, 2001, on a going concern basis.

5. AUDIT COMMITTEE

In accordance with the provisions of Section 292A of the Companies Act, 1956, an Audit Committee was constituted during the year under review, comprising of M/s. K. Vaidyanath, A. Nayak and S. Bandyopadhyay, Directors of the Company as its Members.

6. PARTICULARS OF EMPLOYEES

None of the employees are covered under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

7. AUDITORS

The Auditors of the Company M/s. S. B. Billimoria & Co., Chartered Accountants, will retire at the forthcoming Annual General Meeting, and being eligible offer themselves for re-appointment.

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Considering the nature of business of the Company, no comment is made on conservation of energy and technology absorption. There has been no foreign exchange income or outflow during the year under review.

On behalf of the Board

R. Tandon Director

S. Bandyopadhyay Director

Kolkata, 17th April, 2001

AUDITORS' REPORT TO THE MEMBERS OF GREENACRE HOLDINGS LIMITED

We have audited the attached Balance Sheet of Greenacre Holdings Limited as at 31st March, 2001 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto.

We report as follows :

- As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.
- Further to our comments in the Annexure referred to in paragraph 1 above :
 - we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - in our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

- on the basis of the written representations received from the Directors as on 31st March, 2001 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2001 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :-
 - in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2001; and
 - in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For S. B. Billimoria & Co.
Chartered Accountants

K. Rajasekhar
Partner

Kolkata, 17th April, 2001

Annexure to the Auditors' Report

(Referred to in Paragraph 1 of our Report of even date)

- The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As explained to us, the Management has verified a substantial portion of the fixed assets during the year. We were informed that no material discrepancies were found on such verification. In our opinion, having regard to the size of the Company and the nature of its operations, the frequency of verification is reasonable.
- None of the fixed assets has been revalued during the year.
- The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The Company has taken an interest-free loan from a Company under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act, 1956 and the terms and conditions of such loan are prima facie not prejudicial to the interests of the Company.
- The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 or to companies under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act, 1956.
- In respect of Loans and Advances in the nature of Loans given by the Company, repayment of principal amounts has been as per arrangements with the Company. The Company has not made interest-bearing advances.
- In our opinion and according to the information and explanations given to us, there are reasonable internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of plant and machinery, equipment and other assets.
- According to the Register maintained under Section 301 of the Companies Act, 1956 the Company had no transactions during the year with companies, firms or other parties in which Directors are interested.
- The Company has not accepted deposits from the public.

- In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- According to the records of the Company examined by us, the Company has been regular in depositing Provident Fund and ESI dues with the appropriate authorities.
- According to the information and explanations given to us and the books and records examined by us, there were no undisputed amounts payable in respect of income tax, wealth tax and sales tax which were due as at 31st March, 2001 for a period of more than six months from the dates they became payable.
- According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to the Profit and Loss Account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- The Company has a reasonable system of recording receipts, issues and consumption of materials and allocating materials consumed to the relative jobs, commensurate with its size and nature of its business.
- The Company has a reasonable system of allocating man-hours utilised to the relative jobs commensurate with its size and nature of its business.
- The Company has a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the Company and the nature of its business, on issue of materials and allocation of materials and labour to jobs.
- The Company is not an industrial company and hence the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 is not applicable to the Company.

For S. B. Billimoria & Co.
Chartered Accountants

K. Rajasekhar
Partner

Kolkata, 17th April, 2001

GREENACRE HOLDINGS LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2001

	Schedule	31st March, 2001	31st March, 2000
		(Rs.)	(Rs.)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	33,06,01,660	33,06,01,660
b) Reserves and Surplus	2	<u>2,72,48,157</u>	<u>2,51,54,775</u>
		35,78,49,817	35,57,56,435
2. Loan Funds			
Unsecured Loans	3	<u>2,00,00,000</u>	<u>2,09,42,466</u>
		<u>37,78,49,817</u>	<u>37,66,98,901</u>
II. APPLICATION OF FUNDS			
1. Fixed Assets	4	29,24,78,315	1,07,72,904
2. Investments	5	6,63,26,700	6,63,26,700
3. Current Assets, Loans and Advances	6	6,07,03,765	31,87,59,521
4. Less : Current Liabilities and Provisions	7	<u>4,22,10,045</u>	<u>1,98,95,000</u>
5. Net Current Assets		1,84,93,720	29,88,64,521
6. Miscellaneous Expenditure (to the extent not written off)			
Expenditure in connection with raising of capital		<u>5,51,082</u>	<u>7,34,776</u>
		<u>37,78,49,817</u>	<u>37,66,98,901</u>
NOTES FORMING PART OF THE ACCOUNTS	13		
SIGNIFICANT ACCOUNTING POLICIES	14		

As per our Report of even date attached.

For S. B. Billimoria & Co.
Chartered Accountants
K. Rajasekhar, Partner
Kolkata, 17th April, 2001

On behalf of the Board

R. Tandon Director
S. Bandyopadhyay Director
A. Prasad Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

	Schedule	For the year ended 31st March, 2001	For the year ended 31st March, 2000
		(Rs.)	(Rs.)
I. INCOME			
i. Income from Project Management and Services	8	1,15,93,432	1,24,37,222
ii. Other Income	9	<u>24,19,537</u>	<u>21,95,073</u>
		<u>1,40,12,969</u>	<u>1,46,32,295</u>
II. EXPENDITURE			
i. Project Management Expenses	10	1,91,648	9,52,130
ii. Personnel	11	43,42,738	34,18,718
iii. Management and Other Expenses	12	9,06,537	13,15,676
iv. Depreciation	4	1,84,757	12,72,467
v. Interest		—	4,03,984
vi. Maintenance and Service Expenses		44,04,657	56,37,035
vii. Payment to Auditors			
Audit Fees		65,000	65,000
In other Capacities		<u>24,250</u>	<u>21,000</u>
		<u>1,01,19,587</u>	<u>1,30,86,010</u>
III. PROFIT/(LOSS) BEFORE TAXATION		38,93,382	15,46,285
Provision for Taxation		<u>18,00,000</u>	<u>26,00,000</u>
IV. PROFIT/(LOSS) AFTER TAXATION		20,93,382	(10,53,715)
Balance Brought Forward From Previous Year		<u>1,11,54,775</u>	<u>1,22,08,490</u>
V. BALANCE CARRIED FORWARD TO BALANCE SHEET		<u>1,32,48,157</u>	<u>1,11,54,775</u>
NOTES FORMING PART OF THE ACCOUNTS	13		
SIGNIFICANT ACCOUNTING POLICIES	14		

As per our Report of even date attached.

For S. B. Billimoria & Co.
Chartered Accountants
K. Rajasekhar, Partner
Kolkata, 17th April, 2001

On behalf of the Board

R. Tandon Director
S. Bandyopadhyay Director
A. Prasad Secretary

GREENACRE HOLDINGS LIMITED

SCHEDULES TO THE ACCOUNTS

1. SHARE CAPITAL

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
AUTHORISED		
4,00,00,000 (Previous year – 4,00,00,000)		
Equity Shares of Rs. 10/- each	40,00,00,000	40,00,00,000
	<u>40,00,00,000</u>	<u>40,00,00,000</u>

ISSUED, SUBSCRIBED AND PAID UP

3,30,60,166 (Previous year – 3,30,60,166)		
Equity Shares of Rs. 10/- each, fully paid up	33,06,01,660	33,06,01,660
	<u>33,06,01,660</u>	<u>33,06,01,660</u>

The above shares are held by the Holding Company
Russell Credit Limited and its nominees.

2. RESERVES AND SURPLUS

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
General Reserve	1,40,00,000	1,40,00,000
Profit and Loss Account	1,32,48,157	1,11,54,775
	<u>2,72,48,157</u>	<u>2,51,54,775</u>

3. UNSECURED LOANS

Interest free intercorporate loan from the Holding Company, Russell Credit Limited	2,00,00,000	2,00,00,000
Interest accrued and due on other loans	—	9,42,466
	<u>2,00,00,000</u>	<u>2,09,42,466</u>

4. FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				LEASE ADJUSTMENT	NET BLOCK	
	As at 1st April, 2000 (Rs.)	Additions (Rs.)	Deductions/ Retirements (Rs.)	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)	For the year (Rs.)	On Deductions/ Retirements (Rs.)	As at 31st March, 2001 (Rs.)	As at 31st March, 2001 (Rs.)	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
i. Freehold Land	—	28,21,78,478	—	28,21,78,478	—	—	—	—	—	28,21,78,478	—
ii. Buildings	1,10,04,119	—	—	1,10,04,119	5,97,394	1,79,367	—	7,76,761	—	1,02,27,358	1,04,06,725
iii. Plant and Machinery	38,692	—	—	38,692	1,924	1,838	—	3,762	—	34,930	36,768
iv. Furniture and Fixtures	12,637	—	—	12,637	3,412	800	—	4,212	—	8,425	9,225
v. Office Equipments	4,69,778	—	4,18,013	51,765	1,69,550	2,459	1,49,357	22,652	—	29,113	3,00,228
vi. Assets given on lease											
Plant and Machinery	2,01,71,176	—	—	2,01,71,176	53,36,851	—	—	53,36,851	1,48,34,314	11	11
vii. Motor Vehicles	23,987	—	23,987	—	4,040	293	4,333	—	—	—	19,947
	<u>3,17,20,389</u>	<u>28,21,78,478</u>	<u>4,42,000</u>	<u>31,34,56,867</u>	<u>61,13,171</u>	<u>1,84,757</u>	<u>1,53,690</u>	<u>61,44,238</u>	<u>1,48,34,314</u>	<u>29,24,78,315</u>	<u>1,07,72,904</u>
Previous Year	<u>3,16,58,653</u>	<u>61,736</u>	<u>—</u>	<u>3,17,20,389</u>	<u>48,40,704</u>	<u>12,72,467</u>	<u>—</u>	<u>61,13,171</u>	<u>1,48,34,314</u>	<u>1,07,72,904</u>	<u>—</u>

5. INVESTMENTS

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
OTHER INVESTMENTS – UNQUOTED (at cost) – Long Term		
16,50,000 (Previous Year – 16,50,000)		
Equity Shares of Rs. 10/- each, fully paid up of Classic Infrastructure & Development Limited	6,63,26,700	6,63,26,700
	<u>6,63,26,700</u>	<u>6,63,26,700</u>

6. CURRENT ASSETS, LOANS AND ADVANCES

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)	As at 31st March, 2000 (Rs.)	As at 31st March, 2000 (Rs.)
A. CURRENT ASSETS				
Work-in-Progress at cost	1,41,93,805	29,62,80,161		
Sundry Debtors (Unsecured, considered good)				
i. Debts Outstanding for a period exceeding six months	—	25,981		
ii. Other Debts	2,49,510	4,96,329	5,22,310	
Cash and Bank Balances				
i. Cash in Hand	20,000	50,000		
ii. Cheques in Hand	64,500	3,96,657		
iii. Balance with Scheduled Banks				
— On Current Account	3,46,869	2,90,547		
— On Deposit Account	2,11,00,000	1,15,73,530	1,23,10,734	
Other Current Assets (Unsecured, considered good)				
i. Fixed Deposit with ICICI Limited	1,96,00,000	—		
ii. Deposit with Others	1,55,000	8,36,440		
iii. Interest Receivable	2,41,866	1,25,031	9,61,471	
	<u>6,07,03,765</u>	<u>31,87,59,521</u>		
B. LOANS AND ADVANCES (Unsecured, considered good)				
i. Project Advances	14,51,122	15,43,245		
ii. Advance Tax (Net of provisions)	4,57,345	49,82,746		
iii. Other Advances	27,93,348	21,24,254		
iv. Staff Advances	30,400	34,600	86,84,845	
	<u>6,07,03,765</u>	<u>31,87,59,521</u>		

7. CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
1. CURRENT LIABILITIES		
a. Sundry Creditors for Supplies and Expenses		
— Total outstanding dues of Creditors other than Small Scale Industrial Undertaking(s)	23,69,437	15,35,490
b. Progress payments and advances against projects	1,00,00,000	1,00,00,000
c. Other liabilities (including retention monies)	2,96,75,123	82,75,376
	<u>4,20,44,560</u>	<u>1,98,10,866</u>
2. PROVISIONS		
Provision for Leave Encashment	1,27,843	84,134
Provision for Gratuity	37,642	—
	<u>4,22,10,045</u>	<u>1,98,95,000</u>
8. INCOME FROM PROJECT MANAGEMENT AND SERVICES		
	For the year ended 31st March, 2001 (Rs.)	For the year ended 31st March, 2000 (Rs.)
i. Management Fees and Other Income	2,20,280	12,30,970
ii. Service Income	1,13,73,152	1,12,06,252
	<u>1,15,93,432</u>	<u>1,24,37,222</u>
9. OTHER INCOME		
i. Lease Rentals [Net of Lease Equalisation charge of Rs. Nil (Previous year Rs. 33,86,243/-)]	71,583	12,22,237
ii. Interest on Bank and other deposits [Gross, inclusive of Tax deducted at source : Rs. 3,01,593/- (Previous year Rs. 1,52,823/-)]	18,53,333	6,60,836
iii. Rent	4,20,333	3,12,000
iv. Miscellaneous Receipts	74,288	—
	<u>24,19,537</u>	<u>21,95,073</u>
10. PROJECT MANAGEMENT EXPENSES		
Opening Work-in-Progress	29,62,80,161	30,01,67,026
Less: Transferred to Fixed Assets (inclusive of interest of Rs. 2,86,39,514/-)	28,21,78,478	—
	<u>1,41,01,683</u>	<u>30,01,67,026</u>
Add: Expenditure incurred on Projects during the year	2,83,770	75,28,498
	<u>1,43,85,453</u>	<u>30,76,95,524</u>
Less : Reimbursements Received	—	1,04,63,233
	<u>1,43,85,453</u>	<u>29,72,32,291</u>
Less : Closing Work-in-Progress	1,41,93,805	29,62,80,161
	<u>1,91,648</u>	<u>9,52,130</u>

GREENACRE HOLDINGS LIMITED

SCHEDULES TO THE ACCOUNTS (Contd.)

	For the year ended 31st March, 2001 (Rs.)	For the year ended 31st March, 2000 (Rs.)
11. PERSONNEL		
i. Salaries and Wages, including bonus	37,46,408	27,88,862
ii. Contribution to Provident and Other Funds	3,34,431	3,26,855
iii. Staff Welfare Expenses	2,61,899	3,03,001
	<u>43,42,738</u>	<u>34,18,718</u>
12. MANAGEMENT AND OTHER EXPENSES		
i. Rent, Rates and Taxes	13,320	5,310
ii. Insurance	3,220	5,384
iii. Travelling	18,866	2,77,833
iv. Repairs and Maintenance	4,800	24,508
v. Legal and Consultancy Charges	1,61,956	6,24,848
vi. Bad Debts Written Off	1,67,497	—
vii. Miscellaneous Expenditure written off	1,83,694	1,83,694
viii. Loss on Sale/Retirement of Fixed Assets	2,57,401	—
ix. Miscellaneous Expenses	95,783	1,94,099
	<u>9,06,537</u>	<u>13,15,676</u>

13. NOTES FORMING PART OF THE ACCOUNTS

- Provision is not considered necessary for Income Tax demand of Rs. 89,022/- (Previous Year : Rs. 2,32,776/-) for an earlier assessment year disputed by the Company.
- Loans and Advances include Rs. 11,400/- (Previous Year : Rs. 13,800/-) due from the Manager of the Company. The maximum amount due at any time during the year was Rs.13,800/- (Previous Year : Rs. 14,000/-).
- Remuneration of Manager :-
Salary : Rs.4,35,469/- (Previous Year : Rs. 1,82,428/-)
Perquisites : Rs. 9,125/- (Previous Year : Rs. 3,737/-)
- Retirement benefits are paid to the approved funds maintained on behalf of the Company as per statutes/amounts advised by the funds except for leave encashment liability which is accrued in the books based on actuarial valuation.
- Interest charged to the Profit and Loss Account is net of interest on fixed loans aggregating to Rs. Nil (Previous Year : Rs. 73,24,932/-) which has been charged to Projects.
- Previous year's figures have been regrouped/rearranged wherever necessary.

14. SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The Financial Statements are prepared on accrual basis under the Historic Cost Convention.

2. METHOD OF ACCOUNTING – PROJECTS

The Company follows the proportionate completion method under which a portion of the estimated revenue is recognised taking into account the extent of completion of projects.

3. INVESTMENTS

Investments are stated at cost. Income from Investments is included in the Profit and Loss Account.

4. FIXED ASSETS

Fixed Assets are capitalised at cost including any incidental acquisition expenses.

5. ASSETS GIVEN ON LEASE

The Company has followed the recommendations in the Guidance Note on Accounting for Leases (Revised) issued in 1995 by the Institute of Chartered Accountants of India. Lease Rentals received or due under a finance lease are shown under Income. A matching lease annual charge is made to the Profit and Loss Account which represents recovery of the net investment of the leased asset over the lease term.

6. BORROWING COSTS

Interest and other costs incurred by the Company in connection with the borrowing of funds are recognised as an expense in the period in which they are incurred unless activities that are necessary to prepare the qualifying asset for its intended use or sale are in progress.

7. DEPRECIATION

Depreciation on Fixed Assets (including Assets given on lease) is provided on "straight line" basis at the rates prescribed in Schedule XIV to the Companies Act, 1956.

8. MISCELLANEOUS EXPENDITURE

Miscellaneous expenditure are amortised over a period of five years.

On behalf of the Board

R. Tandon
S. Bandyopadhyay
A. Prasad

Director
Director
Secretary

Kolkata, 17th April, 2001

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. 049467 State Code 21
Balance Sheet Date 31 03 2001
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue NIL Rights Issue NIL
Bonus Issue NIL Private Placement NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities 377850 Total Assets 377850

Sources of Funds

Paid up Capital 330602 Reserves & Surplus 27248
Secured Loans NIL Unsecured Loans 20000

Application of Funds

Net Fixed Assets 292478 Investments 66327
Net Current Assets 18494 Misc. Expenditure 551
Accumulated Losses NIL

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Net) 14013 Total Expenditure 10120
Profit/Loss before Tax 3893 Profit/Loss after Tax 2093
(Please tick the Appropriate box + for Profit, - for Loss)

Earning per Share in Rs.

0.06

Dividend Rate %

NIL

V. Generic Names of Three Principal Services of Company

Item Code No. (ITC Code) NOT APPLICABLE

Service Description PROJECT MANAGEMENT
PROPERTY MAINTENANCE
PROPERTY DEVELOPMENT

These operations do not have any appropriate code as per the Indian Trade Classification (ITC) based on harmonised commodity description and Coding System issued by the Ministry of Commerce, Government of India.

ELAN ENTERPRISES LIMITED

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001

1. The Directors hereby submit their Report and Accounts for the financial year ended 31st March, 2001.
2. **FINANCIAL RESULTS OF THE COMPANY**
The net profit for the financial year ended 31st March, 2001, after deducting all charges and expenses and providing for taxation amounts to Rs. 38,87,026/-
to which profit brought forward from last year is added Rs. 89,07,230/-
making a balance of Rs. 1,27,94,256/-
which the Directors recommend be carried forward.
3. **DIRECTORS**
Mr. Sudip Bandyopadhyay was appointed by the Board of Directors as Additional Director of the Company with effect from 29th May, 2000. By virtue of the provisions of Section 260 of the Companies Act, 1956, Mr. Bandyopadhyay will vacate office at the forthcoming Annual General Meeting of the Company and has filed his consent to act as Director of the Company, if appointed. Notice has been received for his appointment as Director from a Member of the Company under Section 257 of the Companies Act, 1956.
In accordance with Section 256 of the Companies Act, 1956, Mr. Sanjay Virendra Shah will retire by rotation at the forthcoming Annual General Meeting, and being eligible, offers himself for re-appointment.
4. **DIRECTORS' RESPONSIBILITY STATEMENT**
As per the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors state :
 - i) that in the preparation of the Annual Accounts for the year ended 31st March, 2001, the applicable Accounting Standards have been followed and there are no material departures;
 - ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a

- true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2001, and the profit of the Company for that period;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
 - iv) that the Directors have prepared the Annual Accounts for the year ended 31st March, 2001, on a going concern basis.
5. **STATUS OF THE COMPANY**
The Company is a Deemed Public Company by virtue of Section 43A of the Companies Act, 1956. Consequent upon the enactment of the Companies (Amendment) Act, 2000, the provisions relating to deemed public companies have been deleted from Section 43A, and Section 3(1)(iv) has been amended, by virtue of which a subsidiary of a Public Company would itself become a Public Company. Accordingly, necessary steps are being taken for conversion of the Company into a Public Company.
6. **PARTICULARS OF EMPLOYEES**
None of the employees are covered under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.
7. **AUDITORS**
The Auditors, M/s. Basu Chatterjee & Co., Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.
8. **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**
Considering the nature of business of the Company, no comment is made on conservation of energy and technology absorption. There has been no foreign exchange income or outflow during the year under review.

On behalf of the Board

R.S. Naware Chairman
S. Bandyopadhyay Director

Kolkata, 16th April, 2001

AUDITORS' REPORT TO THE MEMBERS OF ELAN ENTERPRISES LIMITED

We have audited the attached Balance Sheet of Elan Enterprises Limited as at 31st March, 2001 and also the relative Profit and Loss Account for the year ended on that date, which are in agreement with the books of account. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account together with the Schedules, give in the prescribed manner, the information required by the Companies Act, 1956 and also give respectively a true and fair view of the state of the Company's affairs as at 31st March, 2001 and its profit for the year ended on that date.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit. In our opinion, proper books of account have been kept by the Company as required by law so far as appears from our examination of the books. In our opinion, the Balance Sheet as at 31st March, 2001 and the Profit and Loss Account for the year ended on that date, comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.

On the basis of the written representations received from the Directors as on 31st March, 2001 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2001 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 and on the basis of such examination of the books and records of the Company as we considered appropriate and according to the information and explanations given to us during the course of our audit, we further report that :

- a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company including leased assets have been physically verified by the management at reasonable intervals and no discrepancies were noticed during the verification.
- b) None of the fixed assets of the Company has been revalued during the year.
- c) The Company does not have any stock-in-trade.
- d) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The provisions of Section 370 of the Companies Act, 1956 are not applicable to a company on and from 31st October, 1998.

- e) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The provisions of Section 370 of the Companies Act, 1956 are not applicable to a company on and from 31st October, 1998.
- f) In respect of loans given by the Company where stipulations have been made, the parties have repaid the principal amount and interest as stipulated during the year.
- g) In our opinion and in accordance with the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of goods and assets and for the sale of goods.
- h) There were no transactions during the year of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956.
- i) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- j) There were no amounts outstanding as at 31st March, 2001 in respect of undisputed Income Tax, Sales Tax, Customs Duty and Excise Duty which were due for more than six months from the date they became payable.
- k) According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to the Profit and Loss Account.
- l) The Company is not an industrial company and hence the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 is not applicable to the Company.
- m) The other items of the aforesaid Order are, in our opinion, not applicable in the case of this Company.

For Basu, Chatterjee & Co.
Chartered AccountantsSourabh Chakravarti
Partner

Kolkata, 16th April, 2001

BALANCE SHEET AS AT 31ST MARCH, 2001

		(Figures for the previous year have been rearranged to conform with revised presentation)			
		31st March, 2001		31st March, 2000	
		(Rs.)	(Rs.)	(Rs.)	(Rs.)
I. SOURCES OF FUNDS	Schedule				
1. Shareholders' Funds					
a) Share Capital	1		4,88,56,260		4,88,56,260
b) Reserves and Surplus					
General Reserve		5,28,687		5,28,687	
Profit and Loss Account		1,27,94,256	1,33,22,943	89,07,230	94,35,917
TOTAL			6,21,79,203		5,82,92,177
II. APPLICATION OF FUNDS					
1. Fixed Assets	2				
Gross Block		1,35,85,481		1,35,85,481	
Less: Depreciation		81,02,304		79,53,654	
Net Block			54,83,177		56,31,827
2. Investments at Cost	3		—		5,05,50,295
3. Current Assets, Loans and Advances					
Cash and Bank Balances	4	2,04,63,706		3,88,420	
Other Current Assets	5	3,58,14,332		88,124	
Loans and Advances	6	24,03,557		28,26,921	
		5,86,81,595		33,03,465	
Less :					
Current Liabilities and Provisions	7	20,12,569		12,29,410	
		20,12,569	5,66,69,026	12,29,410	20,74,055
4. Miscellaneous Expenditure					
Preliminary Expenses		36,000		45,000	
Less: Written Off		9,000	27,000	9,000	36,000
TOTAL			6,21,79,203		5,82,92,177

Notes to Accounts (Schedule 9)

Significant Accounting Policies (Schedule 10)

The Schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our Report of even date.

For Basu, Chatterjee & Co.
Chartered Accountants
Sourabh Chakravarti, Partner
Kolkata, 16th April, 2001

On behalf of the Board
R. S. Naware Director
S. Bandyopadhyay Director
S. Banerjee Secretary

ELAN ENTERPRISES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

(Figures for the previous year have been rearranged to conform with revised presentation)

	Schedule	For the year ended 31st March, 2001 (Rs.)	For the year ended 31st March, 2000 (Rs.)
I. INCOME			
Interest Income		26,03,291	35,72,117
Dividend Income		13,59,089	35,51,979
Profit on sale of Investments		17,08,180	29,839
Rent		3,25,000	3,00,000
Miscellaneous Income		43,810	1,30,723
		<u>60,39,370</u>	<u>75,84,658</u>
II. EXPENDITURE		<u>60,39,370</u>	<u>75,84,658</u>
Salaries, Bonus and Gratuity		59,763	1,27,794
Interest		—	6,41,206
Auditors' Remuneration			
— Audit Fees		8,000	8,000
— Special Certification		2,500	2,500
— Out of pocket Expenses		400	125
		<u>10,900</u>	<u>10,625</u>
Operating and Establishment Expenses	8	1,74,031	2,40,607
Depreciation		1,48,650	1,57,763
Preliminary Expenses Written Off		9,000	9,000
		<u>4,02,344</u>	<u>11,86,995</u>
III. PROFIT BEFORE TAXATION		<u>56,37,026</u>	<u>63,97,663</u>
Provision for Taxation		17,50,000	11,10,796
IV. PROFIT AFTER TAXATION		<u>38,87,026</u>	<u>52,86,867</u>
Balance Brought Forward From Last Year		89,07,230	2,58,41,230
V. PROFIT AVAILABLE FOR APPROPRIATION		<u>1,27,94,256</u>	<u>3,11,28,097</u>
VI. APPROPRIATIONS			
General Reserve		—	5,28,687
Dividend - Interim		—	1,95,42,504
Income Tax on Interim Dividend		—	21,49,676
VII. BALANCE CARRIED FORWARD		<u>1,27,94,256</u>	<u>89,07,230</u>

Notes to Accounts (Schedule - 9)

Significant Accounting Policies (Schedule - 10)

The Schedules referred to above form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our Report of even date.

For Basu, Chatterjee & Co.
Chartered Accountants

Sourabh Chakravarti, Partner
Kolkata, 16th April, 2001

On behalf of the Board

R. S. Naware Director
S. Bandyopadhyay Director
S. Banerjee Secretary

SCHEDULES TO THE ACCOUNTS

SCHEDULE 1 - SHARE CAPITAL

Authorised:

50,00,000 Ordinary Shares of Rs. 10/- each

Issued, Subscribed and Paid up:

48,85,626 (31.3.2000 - 48,85,626) Equity Shares of Rs. 10/- each, fully paid up

(All shares are held by the Holding Company, I.T.C. Limited)

SCHEDULE 2 - FIXED ASSETS

	Original Cost as at 31st March, 2000 (Rs.)	Additions during the year (Rs.)	Withdrawals during the year (Rs.)	Original Cost as at 31st March, 2001 (Rs.)	Depreciation for the year (Rs.)	Depreciation up to 31st March, 2001 (Rs.)	Net Book Value as at 31st March, 2001 (Rs.)
Plant and Machinery	78,70,428	—	—	78,70,428	55,495	77,92,513	77,915
Building	57,15,053	—	—	57,15,053	93,155	3,09,791	54,05,262
Total	<u>1,35,85,481</u>	—	—	<u>1,35,85,481</u>	<u>1,48,650</u>	<u>81,02,304</u>	<u>54,83,177</u>
Previous Year	<u>1,31,81,182</u>	<u>4,88,883</u>	<u>84,584</u>	<u>1,35,85,481</u>	<u>1,57,763</u>	<u>79,53,654</u>	<u>56,31,827</u>

SCHEDULE 3 - INVESTMENTS AT COST

	As at 31st March, 2001 Value (Rs.)	As at 31st March, 2000 Value (Rs.)
UNQUOTED		
Current		
Other Investments		
(All of Face Value at Rs. 10/- each)		
Prudential ICICI Mutual Fund - Prudential ICICI Gift Plan		
Nil (2000 - 19,71,915.148) units @ Rs. 10.041 each, fully paid up	—	1,98,00,000
Nil (2000 - 44,219.073) units @ Rs. 10.034 each, fully paid up	—	4,43,681
Nil (2000 - 56,991.804) units @ Rs. 10.259 each, fully paid up	—	5,84,679
Templeton Funds - Templeton India Government Securities Fund		
Nil (2000 - 25,66,585.956) units @ Rs. 10.325 each, fully paid up	—	2,65,00,000
Nil (2000 - 1,64,553.286) units @ Rs. 10.331 each, fully paid up	—	17,00,000
Nil (2000 - 60,950.836) units @ Rs. 10.082 each, fully paid up	—	6,14,506
Nil (2000 - 88,305.691) units @ Rs. 10.276 each, fully paid up	—	9,07,429
Total	<u>—</u>	<u>5,05,50,295</u>

SCHEDULE 4 - CASH AND BANK BALANCES

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
Balance with Scheduled Banks		
- On Current Accounts	1,13,706	3,88,420
- On Deposit Account	2,03,50,000	—
Total	<u>2,04,63,706</u>	<u>3,88,420</u>

SCHEDULE 5 - OTHER CURRENT ASSETS

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
(Unsecured - considered good)		
Deposit with ICICI Limited	3,52,00,000	—
Deposit with Others	56,563	56,563
Interest Receivable	5,51,552	—
Others	6,217	31,561
Total	<u>3,58,14,332</u>	<u>88,124</u>

SCHEDULE 6 - LOANS AND ADVANCES

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
(Unsecured - considered good)		
Advance Payment of Income Tax (Net of Provision)	24,03,557	28,15,421
Other Advances	—	11,500
Total	<u>24,03,557</u>	<u>28,26,921</u>

SCHEDULES TO THE ACCOUNTS (Contd.)

SCHEDULE 7 – CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
Current Liabilities		
Sundry Creditors for Expenses	12,569	10,256
Security Deposit	20,00,000	12,00,000
	<u>20,12,569</u>	<u>12,10,256</u>
Provisions		
Provision for Gratuity	—	19,154
Total	<u>20,12,569</u>	<u>12,29,410</u>

SCHEDULE 8 – OPERATING AND ESTABLISHMENT EXPENSES

	For the Year ended 31st March, 2001 (Rs.)	For the Year ended 31st March, 2000 (Rs.)
Insurance	5,429	8,024
Rates and Taxes	3,325	5,775
Travelling and Conveyance	4,918	19,213
Postage, Telephone, Telex, etc.	—	4,533
Repairs and Maintenance	43,260	27,438
Printing and Stationery	2,724	7,037
Fixed Assets Written Off	—	51,206
Professional, Contractual Fees, etc.	83,400	62,250
Filing Fees	4,295	700
Miscellaneous Expenses	26,680	54,431
Total	<u>1,74,031</u>	<u>2,40,607</u>

SCHEDULE 9 – NOTES TO ACCOUNTS

- a) Interest income is stated gross, the amount of Income Tax deducted at source is Rs. 5,35,232/- (2000 – Rs. 6,52,427/-).
- b) Other additional information : not applicable.

SCHEDULE 10 – SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared on accrual basis under historic cost convention.

FIXED ASSETS

Fixed Assets are stated at cost of acquisition inclusive of inward freight, duties, taxes and incidental expenses related to acquisition.

DEPRECIATION

Depreciation on Fixed Assets is provided on "straight line" basis at the rates prescribed in Schedule XIV to the Companies Act, 1956.

INVENTORIES

The inventories are normally valued at cost or below, the average cost being computed on the basis of weighted average method.

BORROWING COSTS

Interest and other costs incurred by the Company in connection with the borrowing of funds are recognised as an expense in the period in which they are incurred unless activities that are necessary to prepare the qualifying asset for its intended use or sale are in progress.

MISCELLANEOUS EXPENDITURE

Miscellaneous Expenditure have been amortised over a period of ten years.

For Basu, Chatterjee & Co.
Chartered Accountants

Sourabh Chakravarti, Partner
Kolkata, 16th April, 2001

On behalf of the Board

R. S. Naware Director
S. Bandyopadhyay Director
S. Banerjee Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. 0087149 State Code 21

Balance Sheet Date 31 03 2001
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue NIL Rights Issue NIL

Bonus Issue NIL Private Placement NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities 62179 Total Assets 62179

Sources of Funds

Paid up Capital 48856 Reserves & Surplus 13323

Secured Loans NIL Unsecured Loans NIL

Application of Funds

Net Fixed Assets 5483 Investments NIL

Net Current Assets

56669

Misc. Expenditure

27

Accumulated Losses

NIL

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Net) 6039 Total Expenditure 402

Profit/Loss before Tax 5637 Profit/Loss after Tax 3887

(Please tick the appropriate box + for Profit, – for Loss)

Earning per Share in Rs. 0.80 Dividend Rate % NIL

V. Generic Names of Principal Products/Services of Company

Item Code No. (ITC Code) 240110.01

Product Description FLUE CURED VIRGINIA TOBACCO

Item Code No. (ITC Code) 240110.04

Product Description BURLEY TOBACCO

ALL INDIA TOBACCO COMPANY LIMITED

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001

- The Directors hereby submit their Report and Accounts for the financial year ended 31st March, 2001.
- FINANCIAL RESULTS OF THE COMPANY**
The net profit for the financial year ended 31st March, 2001, after deducting all charges and expenses and providing for taxation amounts to
Rs. 98,57,108/-
to which profit brought forward from last year is added
Rs. 77,37,195/-
making a balance of
Rs. 1,75,94,303/-
which the Directors recommend be carried forward.
- DIRECTORS**
Mr. Sudip Bandyopadhyay was appointed by the Board of Directors as Additional Director of the Company with effect from 29th May, 2000. By virtue of the provisions of Section 260 of the Companies Act, 1956, Mr. Bandyopadhyay will vacate office at the forthcoming Annual General Meeting of the Company and has filed his consent to act as Director of the Company, if appointed. Notice has been received for his appointment as Director from a Member of the Company under Section 257 of the Companies Act, 1956.
In accordance with Section 256 of the Companies Act, 1956, Mr. Sanjay Virendra Shah will retire by rotation at the forthcoming Annual General Meeting, and being eligible, offers himself for re-appointment.
- MANAGER**
Mr. Thengumkudiyil Varkey Wilson ceased to be Manager of the Company from 31st October, 2000, on completion of his tenure of appointment on the said date. The Directors would like to record their appreciation of the services rendered by Mr. Wilson during his tenure.
Ms. Jhuma Guha was appointed as Manager of the Company by the Board of Directors for a period of two years with effect from 12th December, 2000, in terms of the provisions of Section 269 of the Companies Act, 1956, read with Schedule XIII thereto, subject to the approval of the Members of the Company at the next General Meeting.
- DIRECTORS' RESPONSIBILITY STATEMENT**
As per the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors state :-
i) that in the preparation of the Annual Accounts for the year ended 31st March, 2001, the applicable Accounting Standards have been followed and there are no material departures;
ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the

- state of affairs of the Company at the end of the financial year ended 31st March, 2001, and the Profit of the Company for that period;
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
 - that the Directors have prepared the Annual Accounts for the year ended 31st March, 2001, on a going concern basis.

- STATUS OF THE COMPANY**
The Company is a Deemed Public Company by virtue of Section 43A of the Companies Act, 1956. Consequent upon the enactment of the Companies (Amendment) Act, 2000, the provisions relating to deemed public companies have been deleted from Section 43A, and Section 3(1)(iv) has been amended, by virtue of which a subsidiary of a Public Company would itself become a Public Company. Accordingly, necessary steps are being taken for conversion of the Company into a Public Company.
- AUDIT COMMITTEE**
In accordance with the provisions of Section 292A of the Companies Act, 1956, an Audit Committee was constituted during the year under review, comprising of M/s. R. S. Naware, S. Bandyopadhyay and S. V. Shah, Directors of the Company, as its Members.
- PARTICULARS OF EMPLOYEES**
None of the employees are covered under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.
- AUDITORS**
The Auditors, M/s. Basu, Chatterjee & Co., Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.
- CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**
Considering the nature of business of the Company, no comment is made on conservation of energy and technology absorption. There has been no foreign exchange income or outflow during the year under review.

On behalf of the Board

P. Chatterjee Chairman
S. Bandyopadhyay Director

Kolkata, 16th April, 2001

AUDITORS' REPORT TO THE MEMBERS OF ALL INDIA TOBACCO COMPANY LIMITED

We have audited the attached Balance Sheet of All India Tobacco Company Limited as at 31st March, 2001 and also the relative Profit and Loss Account for the year ended on that date, which are in agreement with the books of account. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the Schedules, give in the prescribed manner the information required by the Companies Act, 1956 and also give respectively a true and fair view of the state of the Company's affairs as at 31st March, 2001 and its profit for the year ended on that date.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit. In our opinion, proper books of account have been kept by the Company as required by law so far as appears from our examination of the books.

In our opinion, the Balance Sheet as at 31st March, 2001 and the Profit and Loss Account for the year ended on that date, comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.

On the basis of the written representations received from the Directors as on 31st March, 2001 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2001 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 and on the basis of such examination of the books and records of the Company as we considered appropriate and according to the information and explanations given to us during the course of our audit, we further report that:

- The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company including leased assets have been physically verified by the management at reasonable intervals and no discrepancies were noticed during the verification.
- None of the fixed assets of the Company has been revalued during the year.
- The Company does not have any stock-in-trade.
- The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The provisions of Section 370 of the Companies Act, 1956 are not applicable to a company on and from 31st October, 1998.

- The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The provisions of Section 370 of the Companies Act, 1956 are not applicable to a company on and from 31st October, 1998.
- In respect of loans given by the Company where stipulations have been made, the parties have repaid the principal amount and interest as stipulated during the year.
- In our opinion and in accordance with the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of goods and assets and for the sale of goods.
- There were no transactions during the year of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956.
- In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- There were no amounts outstanding as at 31st March, 2001 in respect of undisputed Income Tax, Sales Tax, Customs Duty and Excise Duty which were due for more than six months from the date they became payable.
- According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to the Profit and Loss Account.
- The Company is not an industrial company and hence the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 is not applicable to the Company.
- The other items of the aforesaid Order are, in our opinion, not applicable in the case of this Company.

For Basu, Chatterjee & Co.
Chartered Accountants
Sourabh Chakravarti, Partner

Kolkata, 16th April, 2001

BALANCE SHEET AS AT 31ST MARCH, 2001

Schedule	(Figures for the previous year have been rearranged to conform with revised presentation)			
	31st March, 2001		31st March, 2000	
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
I. SOURCES OF FUNDS				
1. Shareholders' Funds				
a) Share Capital	1	15,99,83,850		15,99,83,850
b) Reserves and Surplus				
General Reserve		14,06,035	14,06,035	
Profit and Loss Account		1,75,94,303	77,37,195	91,43,230
		<u>17,89,84,188</u>		<u>16,91,27,080</u>
II. APPLICATION OF FUNDS				
1. Fixed Assets	2			
Gross Block		40,85,943	40,85,943	
Less: Depreciation		<u>40,68,811</u>	<u>40,57,920</u>	
Net Block		17,132		28,023
2. Investments at Cost	3	4,12,81,875		16,78,28,288
3. Current Assets, Loans and Advances				
Cash and Bank Balances	4	3,84,96,931	2,37,890	
Other Current Assets	5	10,03,22,446	5,000	
Loans and Advances	6	—	13,08,218	
		<u>13,88,19,377</u>	<u>15,51,108</u>	
Less:				
4. Current Liabilities and Provisions	7	12,72,196	4,72,339	
		<u>12,72,196</u>	<u>4,72,339</u>	10,78,769
5. Miscellaneous Expenditure				
Preliminary Expenses		1,92,000	2,46,000	
Less: Written Off during the year		<u>54,000</u>	<u>54,000</u>	1,92,000
Total		<u>17,89,84,188</u>		<u>16,91,27,080</u>

Notes to Accounts (Schedule-9)

Significant Accounting Policies (Schedule-10)

The Schedules referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our Report of even date.

For Basu, Chatterjee & Co.
Chartered Accountants
Sourabh Chakravarti, Partner
Kolkata, 16th April, 2001

On behalf of the Board

P. Chatterjee Director
S. Bandyopadhyay Director
T.K. Ghosal Secretary

ALL INDIA TOBACCO COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

(Figures for the previous year have been rearranged to conform with revised presentation)
For the year ended
31st March, 2001
For the year ended
31st March, 2000

Schedule	(Rs.)	(Rs.)	(Rs.)	(Rs.)
I. INCOME				
Profit on Sale of Investments	69,80,793		4,73,576	
Interest Income	38,00,929		96,31,794	
Dividend Income	33,07,487		83,09,361	
Miscellaneous Income	99,836	1,41,89,045	1,79,771	1,85,94,502
		1,41,89,045		1,85,94,502
II. EXPENDITURE				
Salaries, Bonus and Gratuity		—		67,198
Interest		—		90,743
Auditors' Remuneration				
— Audit Fees	8,000		8,000	
— Other Services	2,500		2,500	
— Out of Pocket Expenses	400	10,900	125	10,625
Operating and Establishment Expenses		1,56,146		6,94,615
Depreciation		10,891		27,355
Preliminary Expenses Written Off		54,000		54,000
		2,31,937		9,44,536
III. PROFIT BEFORE TAXATION		1,39,57,108		1,76,49,966
Provision for Taxation		41,00,000		35,89,620
IV. PROFIT AFTER TAXATION		98,57,108		1,40,60,346
Balance Brought Forward From Last Year		77,37,195		5,19,09,148
V. PROFIT AVAILABLE FOR APPROPRIATION		1,75,94,303		6,59,69,494
VI. APPROPRIATIONS				
General Reserve		—		14,06,035
Dividend - Interim		—		5,11,94,832
Income Tax on Interim Dividend		—		56,31,432
VII. BALANCE CARRIED FORWARD		1,75,94,303		77,37,195

Notes to Accounts (Schedule-9)

Significant Accounting Policies (Schedule-10)

The Schedules referred to above form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our Report of even date.

On behalf of the Board

For Basu, Chatterjee & Co.
Chartered Accountants
Sourabh Chakravarti, Partner
Kolkata, 16th April, 2001

P. Chatterjee Director
S. Bandyopadhyay Director
T.K. Ghosal Secretary

SCHEDULES TO THE ACCOUNTS

SCHEDULE 1 – SHARE CAPITAL

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
Authorised		
2,00,00,000 Ordinary Shares of Rs. 10/- each	20,00,00,000	20,00,00,000
Issued, Subscribed and Paid up:-		
1,59,98,385 (31.3.2000 – 1,59,98,385) Equity Shares of Rs. 10/- each, fully paid up	15,99,83,850	15,99,83,850
	15,99,83,850	15,99,83,850

(All shares are held by the Holding Company, I.T.C. Limited.)

SCHEDULE 2 – FIXED ASSETS

	Original Cost as at 31st March, 2000 (Rs.)	Additions during the year (Rs.)	Withdrawals during the year (Rs.)	Original Cost as at 31st March, 2001 (Rs.)	Depreciation for the year (Rs.)	Depreciation up to 31st March, 2001 (Rs.)	Net Book Value as at 31st March, 2001 (Rs.)
Plant and Machinery	40,80,853	—	—	40,80,853	10,628	40,64,910	15,943
Furniture and Fixtures	5,090	—	—	5,090	263	3,901	1,189
Total	40,85,943	—	—	40,85,943	10,891	40,68,811	17,132
Previous Year	49,37,692	—	8,51,749	40,85,943	27,355	40,57,920	28,023

SCHEDULE 3 – INVESTMENTS AT COST

	As at 31st March, 2001 Value (Rs.)	As at 31st March, 2000 Value (Rs.)
UNQUOTED		
A. Long Term		
Trade Investments		
I.T.C.Filtrona Limited		
22,50,000 (2000 – 22,50,000) Equity Shares of Rs.10/- each, fully paid up	2,25,00,000	2,25,00,000
Asia Tobacco Company Limited		
55,650 (2000 – 55,650) Equity Shares of Rs.100/- each, fully paid up	83,47,500	83,47,500
1,39,125 (2000 – 1,39,125) Equity Shares of Rs.100/- each, partly paid up	1,04,34,375	1,04,34,375
	4,12,81,875	4,12,81,875
B. Current		
Other Investments		
(All of face value at Rs.10/-each)		
Prudential ICICI Mutual Fund - Prudential ICICI Gilt Plan		
Nil (2000 – 32,01,000) units @ Rs.10.00 each, fully paid up	—	3,20,10,000
Nil (2000 – 73,103.641) units @ Rs.10.034 each, fully paid up	—	7,33,500
Nil (2000 – 94,219.715) units @ Rs.10.259 each, fully paid up	—	9,66,600
Zurich India Mutual Fund - Zurich India High Interest Fund		
Nil (2000 – 1,98,609.732) units @ Rs.10.07 each, fully paid up	—	20,00,000
Nil (2000 – 4,867.885) units @ Rs.10.20 each, fully paid up	—	49,652
Nil (2000 – 3,985.849) units @ Rs.10.21 each, fully paid up	—	40,696
Templeton Funds - Templeton India Income Fund		
Nil (2000 – 3,47,490.347) units @ Rs.10.36 each, fully paid up	—	36,00,000
Nil (2000 – 29,44,550.669) units @ Rs.10.46 each, fully paid up	—	3,08,00,000
Nil (2000 – 79,826.407) units @ Rs.10.31 each, fully paid up	—	8,23,010
Nil (2000 – 88,395.001) units @ Rs.10.49 each, fully paid up	—	9,27,264

ALL INDIA TOBACCO COMPANY LIMITED

SCHEDULES TO THE ACCOUNTS (Contd.)

Templeton Funds - Templeton India Government Securities Fund

Nil (2000 - 49,58,837.772) units @ Rs.10.325 each, fully paid up
 Nil (2000 - 58,077.630) units @ Rs.10.331 each, fully paid up
 Nil (2000 - 1,11,962.504) units @ Rs.10.082 each, fully paid up
 Nil (2000 - 1,62,211.494) units @ Rs.10.276 each, fully paid up

Total (A+B)

SCHEDULE 4 - CASH AND BANK BALANCES

	As at 31st March, 2001 (Rs.)	As at 31st March, 2000 (Rs.)
Balance with Scheduled Banks		
- On Current Account	96,931	2,37,890
- On Deposit Account	3,84,00,000	—
Total	3,84,96,931	2,37,890

SCHEDULE 5 - OTHER CURRENT ASSETS

(Unsecured - considered good)		
Deposit with ICICI Limited	9,97,00,000	—
Deposit with Others	5,000	5,000
Interest Receivable	6,17,446	—
Total	10,03,22,446	5,000

SCHEDULE 6 - LOANS AND ADVANCES

(Unsecured - considered good)		
Advance Payment of Income Tax (Net of Provision)	—	13,08,218
Total	—	13,08,218

SCHEDULE 7 - CURRENT LIABILITIES AND PROVISIONS

Current Liabilities		
Sundry Creditors	12,622	8,135
Sundry Deposits	4,64,204	4,64,204
	4,76,826	4,72,339
Provisions		
Provision for Income Tax (Net of Advance Payment of Income Tax)	7,95,370	—
Total	12,72,196	4,72,339

SCHEDULE 8 - OPERATING AND ESTABLISHMENT EXPENSES

	For the Year ended 31st March, 2001 (Rs.)	For the Year ended 31st March, 2000 (Rs.)
Filing Fees	5,000	840
Insurance	384	58
Rates and Taxes	3,025	8,360
Postage, Telephone, Telex, etc.	2,721	17,486
Rent	—	79,600
Repairs and Maintenance	45,829	16,971

	As at 31st March, 2001 Value (Rs.)	As at 31st March, 2000 Value (Rs.)
	—	5,12,00,000
	—	6,00,000
	—	11,28,806
	—	16,66,885
	—	12,65,46,413
	4,12,81,875	16,78,28,288

	For the Year ended 31st March, 2001 Rs.	For the Year ended 31st March, 2000 Rs.
Travelling and Conveyance	5,086	—
Payment for Contractual Services	—	1,81,580
Fixed Assets Written Off	—	2,48,416
Professional Fees	72,000	83,400
Miscellaneous Expenses	9,024	41,258
Printing and Stationery	13,077	16,646
Total	1,56,146	6,94,615

SCHEDULE 9 - NOTES TO THE ACCOUNTS

- a) Uncalled liability in respect of partly paid shares : Rs. 3,13,03,125/- (2000 - Rs. 3,13,03,125/-)
 b) Interest income is stated gross, the amount of Income Tax deducted at source is Rs. 7,04,942/- (2000 - Rs. 20,91,493/-)
 c) Other additional information : Not applicable.

SCHEDULE 10 - SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared on accrual basis under historic cost convention.

FIXED ASSETS

To state Fixed Assets at cost of acquisition inclusive of inward freight, duties, taxes and incidental expenses related to acquisition.

DEPRECIATION

Depreciation on Fixed Assets is provided on "written down value" basis at the rates prescribed in Schedule XIV to the Companies Act, 1956.

INVESTMENTS

Investments are stated at cost. However, suitable provisions are considered for permanent diminution in value of investments, if any. Income from Investments is included together with the related tax credit in the Profit and Loss Account.

INVENTORIES

The inventories are normally valued at cost or below, the average cost being computed on the basis of weighted average method.

BORROWING COSTS

Interest and other costs incurred by the Company in connection with the borrowing of funds are recognised as an expense in the period in which they are incurred unless activities that are necessary to prepare the qualifying asset for its intended use or sale are in progress.

MISCELLANEOUS EXPENDITURE

Miscellaneous Expenditure have been amortised over a period of ten years.

For Basu, Chatterjee & Co.

Chartered Accountants

Sourabh Chakravarti, Partner

Kolkata, 16th April, 2001

On behalf of the Board

P. Chatterjee Director

S. Bandyopadhyay Director

T. K. Ghosal Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. 008314 State Code 21
 Balance Sheet Date 31 03 2001
 Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue Rights Issue
 NIL NIL
 Bonus Issue Private Placement
 NIL NIL

III. Position of Mobilisation and Deployment of Funds
(Amount in Rs. Thousands)

Total Liabilities 178984 Total Assets 178984
 Sources of Funds
 Paid up Capital 159984 Reserves & Surplus 19000
 Secured Loans NIL Unsecured Loans NIL
 Application of Funds
 Net Fixed Assets 17 Investments 41282
 Net Current Assets 137547 Misc. Expenditure 138
 Accumulated Losses NIL

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Net) 14189 Total Expenditure 232
 Profit/Loss before Tax 13957 Profit/Loss after Tax 9857
 (Please tick the appropriate box + for Profit, - for Loss)
 Earning per Share in Rs. 0.62 Dividend Rate % NIL

V. Generic Names of Principal Products/Services of Company

Item Code No. (ITC Code) 240110.01
 Product Description FLUE CURED
 VIRGINIA TOBACCO
 Item Code No. (ITC Code) 240110.04
 Product Description BURLEY TOBACCO



TEN YEARS AT A GLANCE

Operating Results 1992-2001

(Rs. in Lakhs)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
GROSS INCOME	30,17,08	38,09,67	42,80,15	47,08,06	51,87,86	59,90,60	69,23,75	77,00,96	80,69,37	88,16,11
Excise Duties etc.	15,44,12	18,70,02	18,58,74	21,69,56	25,79,63	30,78,09	36,93,94	40,63,25	41,33,89	44,74,52
Net Income	14,72,96	19,39,65	24,21,41	25,38,50	26,08,23	29,12,51	32,29,81	36,37,71	39,35,48	43,41,59
Cost of Sales	11,64,44	15,34,34	19,31,40	20,14,73	20,24,36	21,42,74	22,71,46	24,43,30	24,75,45	25,16,44
PBDIT	3,08,52	4,05,31	4,90,01	5,23,77	5,83,87	7,69,77	9,58,35	11,94,41	14,60,03	18,25,15
PBDT	2,21,66	2,82,88	3,76,36	4,39,51	4,99,97	6,49,68	8,77,33	10,40,32	13,47,48	17,40,24
Depreciation	15,49	21,40	26,32	37,75	47,74	63,03	85,85	1,02,29	1,18,53	1,39,94
PBIT	2,93,03	3,83,91	4,63,69	4,86,02	5,36,13	7,06,74	8,72,50	10,92,12	13,41,50	16,85,21
PROFIT BEFORE TAX	2,06,17	2,61,48	3,50,04	4,01,76	4,52,23	5,86,65	7,91,48	9,38,03	12,28,95	16,00,30
Tax	91,00	1,06,17	1,43,72	1,40,12	1,91,15	2,39,75	2,65,28	3,14,61	4,36,51	5,94,04
PROFIT AFTER TAX	1,15,17	1,55,31	2,06,32	2,61,64	2,61,08	3,46,90	5,26,20	6,23,42	7,92,44	10,06,26
Dividends	58,37	75,88	1,00,94	1,33,56	61,35	1,07,99*	1,21,48*	1,49,83*	2,24,55*	2,70,45*
Retained Profits	56,80	79,43	1,05,38	1,28,08	1,99,73	2,38,91	4,04,72	4,73,59	5,67,89	7,35,81
Earnings Per Share - Basic (Rs.)	9.87	13.31	17.38**	10.77	10.64	14.14	21.44	25.40	32.29	41.00
Earnings Per Share - Adjusted @ (Rs.)	15.79	21.30	27.81	34.46	34.05	45.25	68.61	81.28	103.33	131.20
Dividend Per Share (Rs.)	5.00	6.50	8.50	5.50	2.50	4.00	4.50	5.50	7.50	10.00
Market Capitalisation (Rs.Cr.)***	98,06	54,43	82,44	69,21	55,71	87,92	1,75,23	2,36,33	1,80,38	1,99,87
Foreign Exchange Earnings	4,62,05	5,93,53	7,91,26	7,86,77	6,19,24	6,34,73	7,59,08	6,49,55	6,87,70	6,97,13

* Including Income Tax on Dividend.

** 1993-94 Weighted Average.

*** Based on year-end closing prices, quoted on the Bombay Stock Exchange.

@ Adjusted Earnings Per Share includes

- 1992 - 3 : 5 Bonus Issue

- 1995 - Conversion of warrants and Bonus Issue of 1 : 1 on total shares.

Sources and Application of Funds 1992-2001

(Rs. in Lakhs)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
SOURCES OF FUNDS										
Equity	1,16,73	1,16,73	1,21,23	2,42,84	2,45,41	2,45,41	2,45,41	2,45,41	2,45,41	2,45,41
Reserves	2,18,80	2,96,64	5,99,55	6,12,00	8,75,94	11,13,83	15,16,72	19,88,79	25,53,92	32,89,10
Shareholders' Funds	3,35,53	4,13,37	7,20,78	8,54,84	11,21,35	13,59,24	17,62,13	22,34,20	27,99,33	35,34,51
Loan Funds	4,44,26	6,29,43	6,85,87	7,85,34	7,64,58	7,25,79	12,99,04	12,52,22	6,52,87	8,58,94
FUNDS EMPLOYED	7,79,79	10,42,80	14,06,65	16,40,18	18,85,93	20,85,03	30,61,17	34,86,42	34,52,20	43,93,45
APPLICATION OF FUNDS										
Fixed Assets (Gross)	4,53,58	5,62,28	7,11,90	8,29,79	9,43,64	12,74,15	14,38,63	17,18,31	21,45,49	26,68,08
Depreciation	1,41,57	1,59,07	1,81,83	2,16,39	2,59,56	3,16,63	3,90,86	4,84,85	5,92,25	7,07,42
Fixed Assets (Net)	3,12,01	4,03,21	5,30,07	6,13,40	6,84,08	9,57,52	10,47,77	12,33,46	15,53,24	19,60,66
Investments	83,20	1,10,81	2,01,50	2,55,97	3,17,23	3,02,06	8,00,95	10,59,75	9,87,26	10,06,94
Net Current Assets	3,84,58	5,28,78	6,75,08	7,70,81	8,62,35	8,25,45	12,12,45	11,93,21	9,11,70	14,25,85
Deferred Revenue	—	—	—	—	22,27	—	—	—	—	—
Expenditure	—	—	—	—	—	—	—	—	—	—
NET ASSETS EMPLOYED	7,79,79	10,42,80	14,06,65	16,40,18	18,85,93	20,85,03	30,61,17	34,86,42	34,52,20	43,93,45
Net Worth Per Share (Rs.)	28.75	35.41	59.46	35.20	45.69	55.39	71.80	91.04	114.07	144.02
Debt : Equity Ratio	1.32 : 1	1.52 : 1	0.95 : 1	0.92 : 1	0.68 : 1	0.53 : 1	0.74 : 1	0.56 : 1	0.23 : 1	0.24 : 1

Equity includes impact of :

1992 - 3 : 5 Bonus Issue (Rs. 39,80 Lakhs) and merger of Tribeni Tissues Limited (Rs. 10,59 Lakhs).

1994 - GDR Issue (Rs. 4,50 Lakhs); and accretion to reserves of Rs. 1,99,96 Lakhs on account of Share Premium.

1995 - Conversion of GDR warrants (Rs. 19 Lakhs) and subsequent 1 : 1 Bonus Issue (Rs. 1,21,42 Lakhs).

1996 - Conversion of balance GDR warrants (Rs. 1,28.50 Lakhs) and related Bonus Issue component of 1995 (Rs. 1,28.50 Lakhs).

Net Assets Employed include cumulative outlays as shown below in respect of :

- Excise Duty Pre-Deposit relating to excise disputes for the period 1983 to 1987.

- Approximate outlays in real estate and other investments consequent to disengagement from and restructuring of the financial services and edible oils businesses.

1996: Rs. 1,70 Crores; 1997: Rs. 4,62 Crores;

1998: Rs. 11,16 Crores; 1999: Rs. 12,64 Crores;

2000: Rs. 12,64 Crores; 2001: Rs. 12,11 Crores.



Securities and Exchange Board of India Mumbai - 400 021

A QUICK REFERENCE GUIDE FOR INVESTORS

Dear Investor,

Now that you have become a stakeholder in a listed company, we welcome you to the securities market. Securities and Exchange Board of India, a statutory body constituted by the Government of India, stands committed to the assigned objective of *protecting investors in the securities market*.

Ensuring disclosure of full, fair and adequate information has been the hallmark of our regulatory principle. In continuation of our efforts in that direction, we thought it fit and timely to write to you making you aware of

- the rights that you have as a stakeholder in a company,
- the responsibilities that are cast on you,
- the risks that you have assumed,
- the procedures relating to trading and transfer of the securities and
- the remedies for problems that you may encounter.

We hope that this material will give you appropriate guidance, though in brief, whenever you have a question in your mind. For detailed guidance, you may approach your broker, the investor service centres of the stock exchanges, and of course, the Investor Guidance Division of the Securities and Exchange Board of India.

Risk Revisited

When you invested, you did so with certain expectations about the performance of the company, the prospects of income from and/or the capital growth of the securities that you now hold, the corporate benefits that may accrue to you etc.

While making that investment decision, you should have, obviously, taken note of and duly evaluated the attendant risks that go with such expectations.

You would remember that one such risk is that your expectations on income and/or growth may not materialise.

You would also recall that if you are an investor in the debt instruments, you can have recourse against the company, besides the market, for redeeming them. But, as an equity holder of a company, in order to realise the value of such investment, you have recourse only to the market.

And you would recollect that the disinvestment may result in capital losses also.

Further, you would have also noted that apart from the above mentioned investment risks, you also face the risk of running into problems with the trading and transfer of the securities.

Your Rights

As a shareholder in a company, you enjoy certain rights, which are as follows :

- to receive the share certificates, on allotment or transfer as the case may be, in due time.
- to receive copies of the abridged Annual Report, the Balance Sheet, the Profit and Loss Account and the Auditors' Report.
- to participate and vote in General Meetings either personally or through proxies.
- to receive Dividends in due time once approved in General Meetings.

- to receive corporate benefits like rights, bonus etc. once approved.
- to apply to Company Law Board (CLB) to call or direct the Annual General Meeting.
- to inspect the minute books of the General Meetings and to receive copies thereof.
- to proceed against the company by way of civil or criminal proceedings.
- to apply for the winding-up of the company.
- to receive the residual proceeds.

Besides the above rights which you enjoy as an individual shareholder, you also enjoy the following rights as a group

- to requisition an Extra-ordinary General Meeting.
- to demand a poll on any resolution.
- to apply to CLB to investigate the affairs of the company.
- to apply to CLB for relief in cases of oppression and/or mismanagement.

As a debenture-holder, you have the right

- to receive interest/redemption in due time.
- to receive a copy of the trust deed on request.
- to apply for winding up of the company if the company fails to pay its debt.
- to approach the Debenture trustee with your grievance.

You may note that the above mentioned rights may not necessarily be absolute. For example, the right to transfer securities is subject to the company's right to refuse transfer as per statutory provisions.

Your Responsibilities

While you may be happy to note that you have so many rights as a stakeholder in the company, that should not lead you to complacency; because you have also certain responsibilities to discharge. To be specific,

- to remain informed.
- to be vigilant.
- to participate and vote in general meetings.
- to exercise your rights on your own or as a group.

Trading of securities

You have the right to sell the securities that you hold at a price and time that you may choose. You can do so personally with another person or through a recognised stock exchange. Similarly you have the right to buy securities from anyone or through a recognised stock exchange at a mutually acceptable price and time.

Whether it is a sale or purchase of securities, effected directly by you or through an exchange, all trades should be executed by a valid, duly completed and stamped transfer deed.

If you choose to deal (buy or sell) directly with another person, you are exposed to counter party risk, i.e., the risk of non-performance by that party. However, if you deal through a stock exchange, this

counter party risk is reduced due to trade/settlement guarantee offered by the stock exchange mechanism. Further, you also have certain protections against defaults by your broker.

When you operate through an exchange, you have the right to receive the best price prevailing at that time for the trade and the right to receive the money or the shares on time. You also have the right to receive a contract note from the broker confirming the trade and indicating the time of execution of the order and other necessary details of the trade. You also have the right to receive good delivery and the right to insist on rectification of bad delivery. If you have a dispute with your broker, you can resolve it through arbitration under the aegis of the exchange.

If you decide to operate through an exchange, you have to avail the services of a SEBI registered broker/sub-broker. You have to enter into a broker-client agreement and file a client registration form. Since the contract note is a legally enforceable document, you should insist on receiving it. You have the obligation to deliver the shares in case of sale or pay the money in case of purchase within the time prescribed. In case of bad delivery of securities by you, you have the responsibility to rectify them or replace them with good ones.

Transfer of securities

Transfer of securities mean that the company has recorded in its books, a change in the title of ownership of the securities effected either privately or through an exchange transaction. To effect a transfer, the securities should be sent to the company along with a valid, duly executed and stamped transfer deed duly signed by or on behalf of the transferor (seller) and transferee (buyer). It would be a good idea to retain photo-copies of the securities and the transfer deed when they are sent to the company for transfer. It is essential that you send them by registered post with acknowledgement due and watch out for the receipt of the acknowledgement card. If you do not receive the confirmation of receipt within a reasonable period, you should immediately approach the postal authorities for confirmation.

Sometimes, for your own convenience, you may choose not to transfer the securities immediately. This may facilitate easy and quick selling of the securities. In that case you should take care that the transfer deed remains valid. However, in order to avail the corporate benefits like the Dividends, Bonus or Rights from the company, it is essential that you get the securities transferred in your name.

On receipt of your request for transfer, the company proceeds to transfer the securities as per provisions of the law. In case they cannot effect the transfer, the company returns back the securities giving details of the grounds under which the transfer could not be effected. This is known as Company Objection.

When you happen to receive a company objection for transfer, you should proceed to get the errors/discrepancies corrected. You may have to contact the transferor (the seller) either directly or through your broker for rectification or replacement with good securities. Then you can resubmit the securities and the transfer deed to the company for effecting the transfer. In case you are unable to get the errors rectified or get them replaced, you have recourse to the seller and his broker through the stock exchange to get back your money. However, if you had transacted directly with the seller originally, you have to settle the matter with the seller directly.

Sometimes, your securities may be lost or misplaced. You should immediately request the company to record a stop transfer of the securities and simultaneously apply for issue of duplicate securities. For effecting stop transfer, the company may require you to produce a court order or the copy of the FIR filed by you with the Police. Further, to issue duplicate securities to you, the company may require you to submit indemnity bond, affidavit, sureties etc. besides issue

of a public notice. You have to comply with these requirements in order to protect your own interest.

Sometimes, it may so happen that the securities are lost in transit either from you to the company or from the company to you. You have to be on your guard and write to the company within a month of your sending the securities to the company. The moment it comes to your notice that either the company has not received the securities that you sent or you did not receive the securities that the company claims to have sent to you, you should immediately request the company to record stop transfer and proceed to apply for duplicate securities.

Depository and dematerialisation

Shares are traditionally held in physical or paper form. This method has its own inherent weaknesses like loss/theft of certificates, forged/fake certificates, cumbersome and time consuming procedure for transfer of shares etc. Therefore, to eliminate these weaknesses, a new system called Depository System has been established.

A depository is a system which holds your shares in the form of electronic accounts in the same way a bank holds your money in a savings account.

Depository System provides the following advantages to an investor.

- Your shares cannot be lost or stolen or mutilated.
- You never need to doubt the genuineness of your shares i.e. whether they are forged or fake.
- Share transactions like transfer, transmission etc. can be effected immediately.
- Transaction costs are usually lower than that in the physical segment.
- There is no risk of bad delivery.
- Bonus/Rights shares allotted to you will be immediately credited to your account.
- You will receive the statement of account of your transactions/holdings periodically.

When you decide to have your shares in electronic form, you should approach a Depository Participant (DP) who is an agent of the depository and open an account. You should surrender your share certificates in physical form and your DP will arrange to get them sent to and verified by the company and on confirmation credit your account with an equivalent number of shares. This process is known as dematerialisation. You can always reverse this process if you so desire and get your shares reconverted into paper form. This process is known as rematerialisation.

Share transactions (like sale or purchase and transfer/transmission etc.) in the electronic form can be effected in a much simpler and faster way. All you need to do is that after confirmation of sales/purchase transaction by your broker, you should approach your DP with a request to debit/credit your account for the transaction. The Depository will immediately arrange to complete the transaction by updating your account. There is no need for separate communication to the company to register the transfer.

Grievance Redressal

There will be occasions when you have a grievance against the company in which you are a stake-holder. It may be that you have not received the share certificates on Allotment or on transfer; it may be that you did not receive the dividend/interest warrant or refund order; perhaps you did not receive the Annual accounts etc, while you would first approach the company in that regard, you may not be satisfied with the company's response thereto. You would like to know whom you should turn to get your grievance redressed. The following table would provide you the guidance in this regard.

Nature of grievance	Can be taken up with
<i>In case of any Public Issue, non-receipt of</i> • Refund order • Interest on delayed refund • Allotment advice • Share certificates • Duplicates for all of the above • Re-validations	– SEBI – Dept. of Company Affairs – Dept. of Company Affairs – Stock Exchange – Registrars to the issue – Registrars to the issue
<i>In case of a listed security, non-receipt of the certificates after:</i> • transfer • transmission • conversion • endorsement • consolidation • splitting • duplicates of securities	– SEBI – SEBI – SEBI – DCA – Stock Exchange – Stock Exchange – Stock Exchange
<i>Regarding listed Debentures, non-receipt of</i> • interest due • redemption proceeds • interest on delayed payment	– SEBI – Dept. of Company Affairs – The Debenture Trustees – Stock Exchange
<i>Regarding bad delivery of shares</i>	Bad delivery cell of the stock exchange
<i>Regarding shares or debentures in unlisted companies</i>	Dept. of Company Affairs
Deposits in collective investment schemes like plantations etc.	SEBI
Units of Mutual Funds	SEBI
Fixed Deposits in Banks and Finance Companies	Reserve Bank of India
Fixed Deposits in manufacturing companies	Dept. of Company Affairs

Investor Information Centres have been set up in every recognised stock exchange which in addition to the complaints related to the securities traded/listed with them, will take up all other complaints regarding the trades effected in the exchange and the relevant member of the exchange.

Moreover two other avenues always available to the investors to seek redressal of their complaints are :

- i) Complaints with Consumers' Disputes Redressal Forums
- ii) Suits in the Court of Law.

Offices of SEBI	Jurisdiction
Head Office : Mittal Court, 'B' Wing, 1st Floor, 224 Nariman Point, MUMBAI - 400021	For the companies having their Registered offices in Gujarat, Maharashtra, Madhya Pradesh, Goa, Daman Diu, Dadra and Nagar Haveli
Northern Regional Office Block No. 1, Rajendra Bhawan, Rajendra Place Dist Centre, NEW DELHI - 110008	Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Rajasthan, Uttar Pradesh, Chandigarh and Delhi

Offices of SEBI	Jurisdiction
Eastern Regional Office FMC Fortuna, 5th Floor, 234/3A AJC Bose Road, CALCUTTA - 700020	Assam, Bihar Manipur, Meghalaya, Nagaland, Orissa, West Bengal, Sikkim Arunachal Pradesh, Andaman & Nicobar Islands, Mizoram and Tripura
Southern Regional Office 3rd Floor, D'Monte Bldg., No. 32, D'Monte Colony, TTK Road, Alwarpet, CHENNAI - 600018	Andhra Pradesh, Karnataka, Kerala, Lakshadweep and Minicoy Islands, Tamilnadu and Pondicherry

KEY TERMS

Arbitration : Settlement of claims, differences or disputes between one member and another and between a member and his clients, authorised clerks, sub-brokers, etc., through appointed arbitrators. It is a quasi-judicial process that is faster and is an inexpensive way of resolving a dispute. The Exchange facilitates the process of arbitration between the members and their clients. The disputes between the parties are resolved through an arbitration in accordance with the bye-laws of the Exchange.

Auction : An auction is a mechanism utilised by the Exchange to fulfill its obligation to a counter party member when a member fails to deliver good securities or make the payment. Through auction, the Exchange arranges to buy good securities and deliver them to the buying broker or arranges to realise the cash and pay it to the selling broker.

Bad delivery cell : When a delivery of shares turns out to be bad because of company objection etc., the investor can approach the bad delivery cell of the stock exchange through his broker for correction or replacement with good delivery.

Bid and offer : Bid is the price of a share a prospective buyer is prepared to pay for a particular scrip. Offer is the price at which a share is offered for sale.

Brokerage : Brokerage is the commission charged by the broker for purchase/sale transaction done through him. The maximum brokerage chargeable, as stipulated by SEBI, is at present 2.5% of the trade value.

Carry forward trading : Carry forward trading has evolved in response to local needs in India and it refers to the trading in which the settlement is postponed to the next account period on payment of contango charges (known as 'vyaj badla') in which the buyer pays interest on borrowed funds or the backwardation charges (known as 'undha badla') in which the short seller pays a charge for borrowing securities.

Circuit breakers : It is a mechanism by which Exchanges temporarily suspend the trading in a security when its prices are volatile and tend to breach the price band.

Clearing : Clearing refers to the process by which all transactions between members are settled through multilateral netting.

Company objection : An investor sends the certificate along with the transfer deed to the company for transfer. In certain cases the registration is rejected because of signature difference, or if the shares are fake, forged or stolen etc.,. In such cases the company returns the shares along with a letter which is termed as a company objection.

Cum-bonus : The share is described as cum-bonus when a purchaser is entitled to receive the current bonus.

Cum-rights : The share is described as cum-rights when a purchaser is entitled to receive the current rights.

Day order : A day order, as the name suggests, is an order which is valid for the day on which it is entered. If the order is not matched during the day, at the end of the trading day, the order gets cancelled automatically.

Dematerialisation : Dematerialisation is the process by which shares in the physical/paper form are cancelled and credit in the form of electronic balance is maintained on highly secure system at the depository.

Ex-bonus : The share is described as ex-bonus when a purchaser is not entitled to receive the current bonus, the right to which remains with the seller.

Ex-rights : The share is described as ex-rights when a purchaser is not entitled to receive the current rights, the right of which remains with the seller.

Forward trading : Forward trading refers to trading where contracts traded today are settled at some future date at prices decided today.

Good-bad delivery : A share certificate together with its transfer form which meets all the requirements of title transfer from seller to buyer is called **good delivery** in the market.

Delivery of a share certificate, together with a deed of transfer, which does not meet requirements of title transfer from seller to buyer is called a **bad delivery** in the market.

Insider trading : Trading in a Company's shares by a connected person having non-public, price sensitive information, such as expansion plans, financial results, takeover bids, etc., by virtue of his association with that Company, is called insider trading.

Jumbo certificate : A jumbo share certificate is a single composite share certificate formed by consolidating/aggregating a large number of market lots.

Market lot : Market lot is the minimum number of shares of a particular security that must be transacted on the Exchange. Multiples of the market lot may also be transacted. In demat scrips the market lot is 1 Share.

No-delivery period : Whenever a book closure or record date is announced by a company, the Exchange sets a no-delivery period for that security. During this period, trading is permitted in that security. However, these trades are settled only after the no-delivery period is over. This is done to ensure that investor's entitlement for corporate benefits is clearly determined.

Odd lot : A number of shares that are less than the market lot are known as odd lots. Under the scrip based delivery system, these shares are normally traded at a discount to the prevailing price for the marketable lot.

Order-driven trading : It is a trading initiated by buy/sell orders from investors/brokers.

Over-the-counter trading : Trading in those stocks which are not listed on a stock exchange.

Pay-in : Pay-in day is the designated day on which the securities or funds are delivered/paid in by the members to the clearing house of the Exchange.

Pay-out : Pay-out is the designated day on which securities and funds are delivered/paid out to the members by the clearing house of the Exchange.

Price band : The daily/weekly price limits within which price of a security is allowed to rise or fall.

Price rigging : When a person or persons acting in concert with each other collude to artificially increase or decrease the price of a security, that process is called price rigging.

Quote-driven trading : Trading where brokers/market makers give buy/sell quote for a scrip simultaneously.

Record date : Record date is the date on which the beneficial ownership of an investor is entered into the register of members. Such a member is entitled to get all the corporate benefits.

Rematerialisation of shares : It is the process through which shares held in electronic form in a depository are converted into physical form.

Screen-based trading : When buying/selling of securities is done using computers and matching of trades is done by a stock exchange computer.

Settlement : It refers to the scrip-wise netting of trades by a broker after the trading period is over.

Settlement guarantee : Settlement guarantee is the guarantee provided by the clearing corporation for settlement of all trades even if a party defaults to deliver securities or pay cash.

Splitting/Consolidation : The process of splitting shares that have a high face value into shares of a lower face value is known as splitting. The reverse process of combining shares that have a low face value into one share of higher value is known as consolidation.

Spot trading : Trading by delivery of shares and payment for the same on the date of purchase or on the next day.

Stop transfer : The instruction given by a registered holder of shares to the company to stop the transfer of shares as a result of theft, loss etc.

Trade guarantee : Trade guarantee is the guarantee provided by the clearing corporation for all trades that are executed on the Exchange. In contrast the settlement guarantee guarantees the settlement of trade after multilateral netting.

Trading for delivery : Trading conducted with an intention to deliver shares as opposed to a position that is squared off within the settlement.

Transfer deed : A transfer deed is a form that is used for effecting transfer of shares or debentures and is valid for a specified period. It should be sent to the company along with the share certificate for registering the transfer. The transfer deed must be duly stamped and signed by or on behalf of the transferor and transferee and complete in all respects.

Transmission : Transmission is the lawful process by which the ownership of securities is transferred to the legal heir/s of the deceased.

The booklet contains basic information to help the investors. The readers are requested to refer to the specific Acts, rules and regulations for exact details and clarifications and are reminded that this booklet does not purport to explain the laws or rules in force, with respect to any particular fact pattern. Answers to questions involving particular facts depend upon interpretations, administrative decisions and court actions. While every effort has been made to ensure the accuracy and completeness of the information contained, the Board assumes no liability for any errors or omission of information in this booklet.

Printed and Circulated by I.T.C. Limited, in the interest of investors' education.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Ninetieth Annual General Meeting of the Members of I.T.C. Limited will be held at Science City, Main Auditorium, JBS Haldane Avenue, Kolkata 700 046, on Friday, the 3rd day of August, 2001, at 10.00 a.m. for the transaction of the following businesses :-

ORDINARY BUSINESS

1. To consider and adopt the Accounts of the Company for the financial year ended 31st March, 2001, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend for the financial year ended 31st March, 2001.
3. To elect Directors in place of those retiring by rotation.
4. To appoint Auditors and to fix their remuneration. In this connection, to consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution :-

"Resolved that Messrs. A. F. Ferguson & Co., Chartered Accountants, be and are hereby appointed as the Auditors of the Company to hold such office until the conclusion of the next Annual General Meeting at a remuneration of Rs. 75,00,000/- payable in one or more instalments plus service tax as applicable, and reimbursement of out-of-pocket expenses incurred."

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass, with or without modification, the following resolution which will be proposed as an Ordinary Resolution :-

"Resolved that in accordance with the applicable provisions of the Companies Act, 1956, or any amendment or modification thereof, this Meeting hereby approves the appointment of Shri Krishnamoorthy Vaidyanath as a Director, liable to retire by rotation, and also as a Wholtime Director of the Company with effect from 17th January, 2001, for a period of five years or up to the date of his retirement, whichever is earlier, on such remuneration as set out in the Explanatory Statement attached to the Notice convening this Meeting, a copy whereof initialled by the Chairman for identification is placed before this Meeting."

6. To consider and, if thought fit, to pass, with or without modification, the following resolution which will be proposed as an Ordinary Resolution :-

"Resolved that Shri Brij Gopal Daga be and is hereby appointed a Director of the Company for a period of five years from the date of this Meeting, whose period of office shall be liable to determination by retirement of Directors by rotation."

7. To consider and, if thought fit, to pass, with or without modification, the following resolution which will be proposed as an Ordinary Resolution :-

"Resolved that Shri Yesh Pall Gupta be and is hereby appointed a Director of the Company for a period of five years from the date of this Meeting, whose period of office shall be liable to determination by retirement of Directors by rotation."



8. To consider and, if thought fit, to pass, with or without modification, the following resolution which will be proposed as an Ordinary Resolution :-

"Resolved that in accordance with the applicable provisions of the Companies Act, 1956, or any amendment or modification thereof, this Meeting hereby approves the re-appointment of Shri Yogesh Chander Deveshwar as a Director, liable to retire by rotation, and also as Wholtime Director and Chairman of the Company with effect from 20th July, 2002, for a period of five years or up to the date of his retirement, whichever is earlier, on such remuneration as set out in the Explanatory Statement attached to the Notice convening this Meeting, a copy whereof initialled by the Chairman for identification is placed before this Meeting."

9. To consider and, if thought fit, to pass, with or without modification, the following resolution which will be proposed as an Ordinary Resolution :-

"Resolved that Shri Antonio Americo de Figueiredo Rodrigues be and is hereby re-appointed a Director of the Company for a period of five years with effect from 12th August, 2001, whose period of office shall be liable to determination by retirement of Directors by rotation."

10. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution :-

"Resolved that pursuant to Section 21 and other applicable provisions of the Companies Act, 1956, or any amendment or modification thereof, and subject to such other consents, sanctions and statutory approvals as may be required or necessary, the name of the Company be changed from 'I.T.C. Limited' to 'ITC Limited'."

The Register of Members of the Company shall remain closed from Wednesday, 18th July, 2001 to Friday, 3rd August, 2001, both days inclusive. Share Transfers received in order at the Investor Service Centre, 37 Chowringhee, Kolkata 700 071 by 5.30 p.m. on 17th July, 2001, will be in time to be passed for payment of dividend, if declared, to the transferees or to their mandatees and the dividend, if declared, will be paid on or after 6th August, 2001, to those Members entitled thereto and whose names shall appear on the Register of Members of the Company on 3rd August, 2001, or to their mandatees, subject however to the provisions of Section 206A of the Companies Act, 1956, or any amendment or modification thereof. In respect of dematerialised shares, the dividend will be payable on the basis of beneficial ownership as per details to be furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for this purpose.

Dated : 30th May, 2001.

Registered Office :

Virginia House

37 Chowringhee

Kolkata 700 071

India.

By Order of the Board

I.T.C. LIMITED

B.B.CHATTERJEE

Executive Vice President &

Company Secretary

**NOTES :**

1. **A Member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on a poll on his behalf. A proxy need not be a Member of the Company.**

Proxies, in order to be effective, must be received at the Investor Service Centre, 37 Chowringhee, Kolkata 700 071, not less than forty-eight hours before the commencement of the Annual General Meeting i.e. by 10.00 a.m. on 1st August, 2001.

2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special Business to be transacted at the Annual General Meeting is attached.
3. In accordance with the provisions of Article 91 of the Articles of Association of the Company, Sarvashri Antonio Americo de Figueiredo Rodrigues, Yogesh Chander Deveshwar and Pillappakkam Bahukutumbi Ramanujam will retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election.
4. Additional information, pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, on Directors recommended for appointment / re-appointment at the Annual General Meeting, is appearing in the Report and Accounts.
5. Members are requested to bring the admission slips along with their copies of the Report and Accounts to the Meeting.
6. Members holding shares in physical form are requested to notify / send the following to the Investor Service Centre of the Company to facilitate better service :-
 - i) any change in their address / mandate / bank details,
 - ii) particulars of their bank account, in case the same have not been sent earlier, and
 - iii) share certificate(s), held in multiple accounts in identical names or joint accounts in the same order of names, for consolidation of such shareholdings into one account.
7. Members holding shares in the electronic form are advised that address / bank details as furnished to the Company by the respective Depositories, viz. NSDL & CDSL, will be printed on the dividend warrants.
8. Pursuant to the provisions of Section 205A of the Companies Act, 1956, dividend for the financial year ended 31st March, 1995, and thereafter, which remains unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government.

Members who have not encashed their dividend warrant(s) for the financial year ended 31st March, 1995, or any subsequent financial year(s), are requested to make their claim to the Investor Service Centre of the Company.
9. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit to the Investor Service Centre of the Company the prescribed Form 2B, which is enclosed for this purpose.

EXPLANATORY STATEMENT

Attached to the Notice convening the Ninetieth Annual General Meeting to be held on Friday, 3rd August, 2001.

Item No. 5

Shri Krishnamoorthy Vaidyanath was appointed by the Board of Directors of your Company ('the Board'), on the recommendation of the Nominations Committee, as an Additional Director and also as Wholetime Director of the Company, with effect from 17th January, 2001 for a period of three years, subject to the approval of the Members and such other approvals as may be necessary, pursuant to the relevant provisions of the Companies Act, 1956 ('the Act').

The Board at its meeting held on 30th May, 2001, on the recommendation of the Nominations Committee, recommended for the approval of the Members, the appointment of Shri Vaidyanath as a Director, liable to retire by rotation, and also as a Wholetime Director of the Company with effect from 17th January, 2001, for a period of five years or up to the date of his retirement as per the Rules of the Company, whichever is earlier.

As a Wholetime Director, Shri Vaidyanath is entitled to the following remuneration, as recommended by the Compensation Committee and approved by the Board, in pursuance of the provisions of Schedule XIII and other applicable provisions of the Act :

- (I) **Consolidated Salary** - Rs.2,00,000/- per month.
- (II) **Performance Bonus** - Not exceeding 50% of the Consolidated Salary, payable annually, for each financial year, as may be determined by the Board.
- (III) **Perquisites** - In addition to the aforesaid Consolidated Salary and Performance Bonus, Shri Vaidyanath shall be entitled to perquisites like gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc., in accordance with the Rules of the Company, the monetary value of such perquisites being limited to Rs. 4,50,000/- per annum, for the purposes of which limit perquisites shall be evaluated as per Income-tax Rules, wherever applicable, and in absence of any such Rule, perquisites shall be evaluated at actual cost. However, the following shall not be included in the aforesaid perquisite limit :-
 - (a) Rent free accommodation owned / leased / rented by the Company, or Housing Allowance in lieu thereof, as per the Rules of the Company.
 - (b) Contribution to Provident Fund and Superannuation Fund up to 27% of salary and contribution to Gratuity Fund up to 8.33% of salary as defined in the Rules of the respective Funds, or up to such other limit as may be prescribed under the Income-tax Act, 1961, and the Rules thereunder, for this purpose.
 - (c) Use of Company car for official purposes and telephone at residence (including payment for local calls and long distance official calls).
 - (d) Encashment of unavailed leave as per the Rules of the Company at the time of retirement / cessation of service.
 - (e) Long service award as per the Rules of the Company.



- (f) Costs and expenses incurred by the Company in connection with joining / transfer from one location to another of the Company or its affiliates / associates as per the Rules of the Company.

The aggregate of the remuneration and perquisites / benefits, including contribution towards Provident Fund, Superannuation Fund and Gratuity Fund, payable to all Wholtime Directors of the Company taken together shall not exceed 10% of the profits of the Company calculated in accordance with the provisions of Sections 198 and 309 of the Act.

Due notice under Section 257 of the Act has been received from a Member proposing the appointment of Shri Vaidyanath as a Director of the Company. Shri Vaidyanath has filed the requisite consent pursuant to the provisions of Section 264(1) of the Act to act as such Director, if appointed.

None of the Directors of your Company, other than Shri Vaidyanath, is interested in this Resolution.

The Board recommends this Resolution for your approval.

This should be considered also as an abstract of the terms of appointment of Shri Vaidyanath as a Wholtime Director of the Company and a memorandum as to the nature of the concern or interest of the Directors in the said appointment, as required under Section 302 of the Act.

Item Nos. 6 & 7

Shri Brij Gopal Daga was appointed on 28th July, 2000, as an Additional Non-Executive Director of the Company in terms of Section 260 of the Companies Act, 1956 ('the Act') as a representative of Unit Trust of India.

Shri Yesh Pall Gupta was appointed on 25th October, 2000, as an Additional Non-Executive Director of the Company in terms of Section 260 of the Act as a representative of Life Insurance Corporation of India.

Shri Daga and Shri Gupta vacate their office at this Annual General Meeting pursuant to the provisions of Section 260 of the Act. The Board of Directors of your Company ('the Board') at its meeting held on 30th May, 2001, recommended for the approval of the Members, the appointments of Shri Daga and Shri Gupta as Non-Executive Directors of the Company, liable to retire by rotation, for a period of five years from the date of this Annual General Meeting.

Due notices under Section 257 of the Act have been received from Members proposing the appointments of Shri Daga and Shri Gupta as Directors of the Company. Requisite consents have been filed by Shri Daga and Shri Gupta, pursuant to the provisions of Section 264(1) of the Act, to act as such Director, if appointed.

Shri Daga and Shri Gupta are interested in the Resolutions relating to their respective appointments. None of the other Directors of your Company is interested in these Resolutions.

The Board recommends these Resolutions for your approval.

Item No. 8

At the Annual General Meeting of the Company held on 12th August, 1998, Shri Yogesh Chander Deveshwar was re-appointed as Wholetime Director and Chairman of the Company for a period of three years with effect from 20th July, 1999, and his present term of appointment expires on 19th July, 2002.

The Board of Directors of your Company ('the Board') at its meeting held on 30th May, 2001, on the recommendation of the Nominations Committee, recommended for the approval of the Members, the re-appointment of Shri Deveshwar as Director, liable to retire by rotation, and also as Wholetime Director and Chairman of the Company with effect from 20th July, 2002, for a further period of five years or up to the date of his retirement as per the Rules of the Company, whichever is earlier.

The Board at the said meeting also approved that for the aforesaid period of re-appointment as Wholetime Director and Chairman, Shri Deveshwar shall be entitled to, subject to the approval of the Members, in pursuance of the provisions of Schedule XIII and other applicable provisions of the Companies Act, 1956 ('the Act'), remuneration to be determined by the Board on the recommendation of the Compensation Committee, such remuneration not being lower than his current remuneration, as approved by the Members at the Annual General Meeting of the Company held on 30th July, 1999, and stated below, which he shall continue to draw until revised by the Board:

- (I) **Consolidated Salary** - Rs. 6,00,000/- per month.
- (II) **Performance Bonus** - Not exceeding 50% of Consolidated Salary, payable annually, for each financial year, as may be determined by the Board.
- (III) **Perquisites** - In addition to the aforesaid Consolidated Salary and Performance Bonus, Shri Deveshwar shall be entitled to perquisites like gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance etc., in accordance with the Rules of the Company, the monetary value of such perquisites being limited to Rs. 4,50,000/- per annum, for the purposes of which limit perquisites shall be evaluated as per Income-tax Rules, wherever applicable, and in absence of any such Rule, perquisites shall be evaluated at actual cost. However, the following shall not be included in the aforesaid perquisite limit :-
 - (a) Rent free accommodation owned / leased / rented by the Company, or Housing Allowance in lieu thereof, as per the Rules of the Company.
 - (b) Contribution to Provident Fund and Superannuation Fund up to 27% of salary and contribution to Gratuity Fund up to 8.33% of salary as defined in the Rules of the respective Funds, or up to such other limit as may be prescribed under the Income-tax Act, 1961, and the Rules thereunder, for this purpose.
 - (c) Use of Company car for official purposes and telephone at residence (including payment for local calls and long distance official calls).
 - (d) Encashment of unavailed leave as per the Rules of the Company at the time of retirement / cessation of service.



(e) Long service award as per the Rules of the Company.

(f) Costs and expenses incurred by the Company in connection with joining / transfer from one location to another of the Company or its affiliates / associates as per the Rules of the Company.

The aggregate of the remuneration and perquisites / benefits, including contribution towards Provident Fund, Superannuation Fund and Gratuity Fund, payable to all Wholtime Directors of the Company taken together shall not exceed 10% of the profits of the Company calculated in accordance with the provisions of Sections 198 and 309 of the Act.

Due notice under Section 257 of the Act has been received from a Member proposing the appointment of Shri Deveshwar as a Director of the Company. Shri Deveshwar has filed the requisite consent pursuant to Section 264(1) of the Act to act as such Director, if appointed.

None of the Directors of your Company, other than Shri Deveshwar, is interested in this Resolution.

The Board recommends this Resolution for your approval.

This should be considered also as an abstract of the terms of re-appointment of Shri Deveshwar as Chairman and Wholtime Director of the Company and a memorandum as to the nature of the concern or interest of the Directors in the said re-appointment, as required under Section 302 of the Act.

Item No. 9

Shri Antonio Americo de Figueiredo Rodrigues was appointed as a Non-Executive Director of the Company at the Annual General Meeting held on 12th August, 1998, for a period of three years and his present term of appointment expires on 11th August, 2001.

The Board of Directors of your Company ('the Board') at its meeting held on 30th May, 2001, recommended for the approval of the Members, the re-appointment of Shri Rodrigues as a Non-Executive Director of the Company, liable to retire by rotation, for a further period of five years from 12th August, 2001.

Due notice under Section 257 of the Companies Act, 1956 ('the Act'), has been received from a Member proposing the appointment of Shri Rodrigues as a Director of the Company. Shri Rodrigues has filed the requisite consent pursuant to the provisions of Section 264(1) of the Act to act as such Director, if appointed.

None of the Directors of your Company, other than Shri Rodrigues, is interested in this Resolution.

The Board recommends this Resolution for your approval.

Item No. 10

The name of the Company was changed with effect from 30th March, 1974, to 'I.T.C. Limited' from its earlier name 'India Tobacco Company Limited' with the approval of the Members at an Extraordinary General Meeting of the Company held on 14th March, 1974, and the approval of the Department of Company Affairs.



Dots in a name generally denote abbreviation. 'I.T.C.' with the dots in its present name gives the impression that it is an abbreviation of its earlier name, India Tobacco Company Limited, and may be inappropriate considering that your Company now has a multi-business portfolio encompassing a wide range of businesses viz. hoteliering, packaging and printing, speciality papers, greeting cards, lifestyle retailing, agri exports etc., besides cigarettes and tobacco.

Further, some of the subsidiaries of the Company, like ITC Bhadrachalam Paperboards Limited, ITC Hotels Limited and ITC Infotech India Limited, and some of the super deluxe hotel properties of the Company, like ITC Hotel Maurya Sheraton & Towers, ITC Hotel Grand Maratha Sheraton & Towers etc., also carry the 'ITC' name. Moreover, in common parlance the Company is generally referred to by the public as 'ITC'.

In view of the above, the Board of Directors of your Company ('the Board') considers it appropriate that the name of the Company should be changed to 'ITC Limited'.

In terms of Section 21 of the Companies Act, 1956, approval of the members and the Central Government is required to change the name of a company, and accordingly your approval is sought to this Special Resolution.

None of the Directors of your Company is interested in this Special Resolution.

The Board recommends this Special Resolution for your approval.

Dated : 30th May, 2001.

Registered Office :

Virginia House

37 Chowringhee

Kolkata 700 071

India.

By Order of the Board

I.T.C. LIMITED

B.B.CHATTERJEE

Executive Vice President &

Company Secretary



Account No. :	.....
No. of Shares :	.....

FORM 2B**NOMINATION FORM***(To be filled in by individual(s) applying singly or jointly)*

I/Weand..... and the holders of Shares bearing number(s) of M/s I.T.C. Limited wish to make a nomination and do hereby nominate the following person in whom all rights of transfer and/or amount payable in respect of Shares shall vest in the event of my or our death.

Name and Address of Nominee

Name :

Address :

.....

Date of Birth* :

(*to be furnished in case the nominee is a minor)

** The Nominee is a minor whose guardian is

Name and Address :

.....

(To be deleted if not applicable)****[To be filled in by the Shareholder(s)]**

1. Signature :

Name :

Address :

Date :

2. Signature :

Name :

Address :

Date :

3. Signature :

Name :

Address :

Date :

Name, Address and Signature of two Witnesses

Name and Address

Signature with date

1.

2.

(Applicable only in respect of physical shareholding)

Instructions :

1. The Nomination can be made by individuals only applying/holding Shares on their own behalf singly or jointly. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of power of attorney cannot nominate. If the Shares are held jointly, all joint holders will sign the nomination form. Space is provided as a specimen, if there are more joint holders more sheets can be added for signatures of holders of Shares and witnesses.
2. A minor can be nominated by a holder of Shares and in that event, the name and address of the guardian shall be given by the holder.
3. The nominee shall not be a trust, society, body corporate, partnership firm, Karta of Hindu Undivided Family or a power of attorney holder. A non-resident Indian can be a nominee on repatriable basis.
4. Nomination stand rescinded upon transfer of Shares.
5. Transfer of Shares in favour of a nominee shall be a valid discharge by a company against the legal heir.
6. The Nomination Form shall be filed in duplicate with the Investor Service Centre of the Company, who will return one copy thereof to the Shareholder.





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